FINANCIAL TIMES

Mob governance

Corporate extortion thrives in Japan

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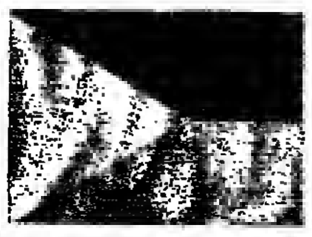

Manila

Resignations rock the stock exchange

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Dash for gas

Abu Dhabi's new power play

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Cloudy skies

Turbulent times for Malaysian Airlines

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World Business Newspaper http://www.FT.com THURSDAY MARCH 13 1997

Hoechst shares fall as it scraps drugs listing plan

Hoechst, the world's largest drugs and chemicals group, saw its shares fall by 10 per cent after revealing that it had abandoned plans to seek a separate stock market listing for its pharmaceuticals business. It also unveiled results for the fourth quarter of 1996 that were below the market's expectations. Page 17; Lex, Page 16; World stocks, Page 38

Japanese group gets tough on corruption

The Keidanren, Japan's influential economic federation, promised a crackdown against corporate corruption and said companies found to have violated a charter of good corporate behaviour will be suspended. It was reacting to last week's admission by Nomura Securities, Japan's top stockbroker, that it had made "apparently irregular payments" to a property company run by the brother of an underworld figure. Page 6; Recent cases of Japanese corporate extortion may signal greater openness, Page 15

Caution on Russian bond issue: European bond traders expressed reservations about the timing of today's debut Russian D-mark bond issue which they say coincides with the rockiest period so far this year for emerging market debt. Page 17; Capital markets, Page 24

US floods blamed on global warming: The US storms and floods which have killed about 50 people and caused up to $1bn in property damage over the past two weeks represent an increase in extreme weather events to be expected from global warming, a US climate scientist said. Page 16

Treason charge for exiled Nigerian

Nigeria has brought a charge of treason against exiled writer Wole Soyinka (left). His family said the charge, which carries the death penalty, came after the Nobel prize-winning author, who lives in New York, said he would sue Nigerian military leader Sani Abacha for calling him a terrorist. Abacha's regime executed the dissident playwright Ken Saro-Wiwa in 1995.

Rumours strain US-China ties: Allegations that Beijing attempted to funnel illegal campaign contributions in US political parties and candidates have added to a growing sense of unease in Washington over US-China policy. China's foreign ministry has called in the US chargé d'affaires to complain about "malicious fabrications" in the US press. Page 5

Swiss Bank Corporation, Switzerland's third-largest financial group, increased its operating income in 1996 by 21 per cent to SFr10.75bn ($7.3bn), helped by strong growth in fees, commissions and trading income, as the group took advantage of buoyant financial markets. Page 17; SBC embarrassment, Page 19; Results, Page 19

Coke officials charged: Two executives at Coca-Cola's largest bottler in Atlanta, Georgia, were indicted on charges that they tried to undermine a union organising effort by bribing an employee with $10,000 and a job promotion to influence co-workers. James Wardlaw, a former regional vice-president and general manager, and Eric Turpin, former vice-president of human resources, were on leave pending a trial.

US target of Zaire protest: Zairian protesters burned the US flag at a demonstration in Kinshasa and demanded the expulsion of US ambassador Daniel Simpson. The US has been accused of supporting the Alliance of Democratic Forces for the Liberation of Congo-Zaire, which has been advancing against the army of president Mobutu Sese Seko.

Black Sea fish war: Russian coast guard ships fired on Turkish vessels fishing illegally near Georgia's Black Sea coast, killing one man. Eight ships were chased and one held. Page 4.

NATO warships from the Mediterranean task force will pay an unofficial visit to Ukraine's Black Sea port of Odessa this month. The seven ships are from Britain, Germany, Greece, Italy, Netherlands, Turkey and the US.

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STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7077.85	(-7.31)
NASDAQ Composite	1308.92	(-7.84)
Europe and Far East		
CAC40	2641.70	(-44.45)
DAX	3415.40	(-45.19)
FTSE 100	4422.5	(-21.8)
Nikkei	18,183.27	(-84.45)

US LUNCHTIME RATES

Federal Funds	5⅛%
3-mth Treas Bills: Yld	5.197%
Long Bond	97
Yield	6.857%

OTHER RATES

UK: 3-mo Interbank	6⅜	(same)
UK: 10 yr Gilt	101⅜	(101[illegible])
France: 10 yr OAT	107.47	(107.51)
Germany: 10 yr Bund	102.40	(102.47)
Japan: 10 yr JGB	105.0205	(104.907)

NORTH SEA OIL (Argus)

Brent Dated	$18.86	(18.53)

GOLD

New York: Comex		
(Mar)	$352.8	(354.7)
London:		
close	$352.95	(351.15)

DOLLAR

New York: lunchtime		
£	1.5965	
DM	1.69695	
FFr	5.726	
SFr	1.4587	
Y	122.475	
London:		
£	1.593	(1.6052)
DM	1.7014	(1.7055)
FFr	5.7411	(5.7498)
SFr	1.468	(1.4747)
Y	122.63	(121.855)
Tokyo close:	Y 122.63	

STERLING

DM	2.7103	(2.7377)

9 770174 738142

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Waigel is reassured over independence of European central bank

Bonn backs stability council

By David Buchan in Lyons

Germany yesterday finally gave qualified endorsement to the French idea of a ministerial "stability council" to co-ordinate economic policy within the planned European monetary union.

At a meeting yesterday with their French counterparts in Lyons Mr Theo Waigel, German finance minister, and Mr Hans Tietmeyer, Bundesbank president, accepted assurances from Mr Jean Arthuis, France's finance minister, that the stability council would not encroach on the European central bank's independent right to set monetary policy.

Both countries also reaffirmed their determination to meet the criteria for joining Emu and stick to the timetable for introducing a European single currency in January 1999.

France originally intended the stability council, composed of countries selected next year to participate in Emu, partly as a counterweight to the ECB. Germany resisted, fearing such a council would menace the bank's independence. But France now seems to have defined the council in ways acceptable to the Germans.

"The stability council will be informal, and will in no way affect the European central bank's independence", said Mr Waigel, "and I am grateful to Mr Arthuis for underlining this."

Mr Tietmeyer expressed his gratitude to ministers for making clear that the stability council "will focus on economic policy", leaving monetary policy to the bank.

The ministers gave an upbeat view of their economies, which they said would both attain 2.5 per cent growth this year – almost double last year's performance. This was in line with official forecasts in Bonn, although Mr Arthuis had previously said only that French growth would be 2.3 per cent "at a minimum".

Mr Arthuis said there was "no doubt about the two countries meeting the criteria and sticking to the timetable for Emu".

Mr Waigel was slightly less dogmatic, pinning his hopes for meeting the Emu criteria on growth-creating measures such as the tax changes which he said he would present in Bonn later this week and which would put German tax brackets at their lowest level since 1949.

The German finance minister drew a clear distinction between the stability council and his own stability pact proposal, approved at last December's Dublin summit of EU leaders, which sets out financial penalties for breaching Emu disciplines. The former was purely informal and would not take binding decisions, Mr Waigel said, while the pact was part of EU legislation and could be governed by the European Court.

Mr Arthuis said France would like the choice of Emu participants to be left until after its parliamentary elections next March. Mr Waigel said it was natural for Germany to respect this desire. Delay until at least April 1998 will in any case suit Germany, allowing more time for exact data on countries' 1997 economic performance to come in.

Both ministers called for coordinated action to prevent "unfair competition" between tax regimes of different states. Mr Waigel put his emphasis on wider international action while Mr Arthuis focused more on EU initiatives.

Observer, Page 15

French central bank governor Jean-Claude Trichet, left, with Theo Waigel, Jean Arthuis and Hans Tietmeyer yesterday Picture: Reuter

Hong Kong surplus well above expectations

By John Ridding in Hong Kong

Hong Kong yesterday displayed its wealth ahead of its return to China, announcing an unexpectedly large budget surplus which will lift fiscal reserves to about HK$330bn (US$42.6bn) by the July handover.

Mr Donald Tsang, financial secretary, said the budget surplus for the fiscal year to end-March 1997 would be HK$15.1bn, almost 10 times initial forecasts. He forecast further surpluses totalling more than HK$90bn by 2001.

Mr Tsang announced a cautious budget for 1997-98, with a real spending increase of 6 per cent and targeted tax concessions. This is in spite of the extent of the territory's wealth, which is further bolstered by foreign exchange reserves of $66bn.

Some economists questioned the benefits of accumulating such large surpluses, although they pointed to the government's concern to maintain a war chest. "They want a financial cushion during the transition, partly to guard against any speculative attack against the Hong Kong dollar," said the chief economist at one European investment bank.

Mr Tsang, confirmed in his post last month, is charged with steering the economy through the transition. He said his budget was designed to demonstrate continuity in economic management.

He said it maintained the administration's principle of limiting spending increases to economic growth rates. Continued economic success would depend on Hong Kong's economic autonomy, the maintenance of the rule of law and the free flow of information, he added.

China has pledged to maintain the territory's capitalist system for 50 years and to leave untouched its fiscal reserves. Although Chinese officials were involved in the 1997-98 budget and have previously urged curbs on welfare spending, Mr Tsang insisted be did not face pressure during the drafting process.

The budget drew a mixed response from the business sector. Mr Rod Houng-Lee, head of taxation at Price Waterhouse, welcomed the announcement that foreign companies with branches in Hong Kong would be allowed to deduct withholding tax.

However, Mr Marshall Byres, chairman of tax services at Ernst & Young, said the budget was very conservative and he was concerned by Mr Tsang's justification for running a large surplus.

Robinson ready to stand down as Irish president

By John Murray Brown in Dublin

Ireland is eet for a presidential election in November, after Mrs Mary Robinson, the country's first woman head of state, announced yesterday that she would not seek a second seven-year term.

Her decision will fuel speculation that she intends to seek a high-profile post with the United Nations. But it could also herald a potentially divisive political campaign in a year when voters already face a general election.

The president, who is directly elected and has few powers, had hitherto been a largely ceremonial figure, but when elected in 1990 Mrs Robinson invested the job with real status.

She also raised Ireland's international profile both through her role as a liberal woman politician in a traditionally conservative country and her outspoken championing of third world and human rights issues.

Had she decided to stand again, it was assumed the main parties would not have put up candidates, avoiding tha need for a presidential election.

In theory, the three main parties – Fianna Fail, Fine Gael and Labour, which backed Mrs Robinson seven years ago – could nominate candidates.

As the largest party, Fianna Fail should win the contest, but there is some confusion over who the party might choose. Mr Charles Haughey, the charismatic former Fianna Fail prime minister, would be a popular choice, but members of his family are linked with a political donations affair which has already seen the resignation of one Fine Gael minister.

Mr Albert Reynolds – forced to stand down as prime minister in 1994 over his mishandling of a paedophile priest extradition case – would have strong support in tha party, but he has already indicated he will contest his Dail seat in the general election.

Mrs Marie Geoghegan-Quinn, a former Fianna Fail justice minister, who announced she was leaving politics because of excessive media intrusion, is said to be ambitious for the job. A compromise from Fianna Fail might be Mr David Andrews, an uncontroversial former foreign affairs minister.

Mr John Hume, architect of the Northern Ireland peace process and leader of the moderate nationalist Social Democratic and Labour party, has also been mentioned as a possible candidate, although publicly he has ruled it out.

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Mayhew bows out, Page 10

CONTENTS

Insurance deal puts Marsh & McLennan back on top

By Christopher Adams, Insurance Correspondent

Marsh & McLennan, the international insurance broking and financial services group, has trumped its nearest rival Aon with the $1.8bn (£1.1bn) acquisition of Johnson & Higgins of the US, ending 150 years of indepeodence for one of the world's most famous but secretive broking partnerships.

The deal restores Marsh's position as the world's biggest insurance broker. It was shunted briefly into second place after the young and acquisitive Aon Group shook the industry with the $1.23bn purchase of Alexander & Alexander announced in December.

Under the terms of the agreement, of which there were few details, Marsh & McLennan will pay one third of the price in cash and the rest in its own shares.

Johnson & Higgins declined to say who were its principal shareholders or by how much its senior executives would benefit.

The group said it had "for some time" been considering options to bolster its financial strength, thought to include a public offer and acquiring or merging with another broker.

Mr Ian Smith, chairman of Marsh & McLennan, expected the merger to generate annual cost savings of $150m after completion "without a perceptible increase in expenses".

"We will surely see some duplication in back offices, in systems, in some corporate functions, and we'll probably find some economies in real estate," said Mr Smith.

Both groups are well represented in the US, where Johnson & Higgins earned about half of its $1.16bn revenue last year.

But the premium to income which Marsh has paid suggests that the group values the quality of Johnson's business.

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Top spot regained, Page 22

NEWS: EUROPE

Political infighting over economic reforms delays disbursal of $3.1bn western aid

Ukraine hit by debt headache

By Matthew Kaminski in Kiev

The bold package of economic reforms announced by the Ukrainian government this winter has become trapped by political infighting in Kiev, creating a debt headache for the government.

Launched on the back of a successful stabilisation of the country's currency, the proposed reductions in tax rates and a streamlining of onerous government regulations are stuck in parliament, along with the draft 1997 budget.

The delay prevents the disbursal of $3.1bn in western aid, forcing the country to rely heavily on domestic borrowing and accumulate debt rapidly on world markets.

As economic uncertainty has grown, so have the political recriminations. Four ministers – including those for both economy and finance – were sacked a fortnight ago, at the initiative of Mr Pavlo Lazarenko, the prime minister. Two other ministers were sacked last month.

Now Mr Lazarenko's own job may ba in donbt. President Leonid Kuchma, who appointed him nearly a year ago, blames the prime minister for the economic problems, including 3bn hryvnia ($1.7bn) in wage arrears – including 51m hryvnia in the nuclear power industry, including the politically sensitive Chernobyl plant.

As Mr Kuchma prepares to give his state of the union address tomorrow, his economic aide says more cabinet changes are imminent.

The prime minister, who last summer escaped injury when a bomb exploded near his motorcade, is under attack from many sides. The country's liberals criticise his management style.

Others allege that he rigged the wholesale gas market for the benefit of his companies – a charge he calls "groundless".

Mr Lazarenko knows prime ministers do not last long in Ukraine. Pointing to the caramel-coloured walls in his spacious office, he says: "My predecessor did the renovation. He only got to enjoy it a week."

In an interview, the former collective farm chief defends his reform record, adding that he expects – unlike his fiva predecessors since 1991 – to last more than a year in office. He dismisses warnings from economists that the alow pace of privatisation and related structural changes that hurt vested interests could bring an economic crisis similar to Bulgaria's. The "terrible Bulgarian lesson" will not be repeated in Ukraine, he says. "The government is very keen on structural reform."

On energy policy, Mr Lazarenko says the current gas distribntion

Lazarenko: under attack from all sides Reuter

scheme solved Ukraine'a chronic arrears problem with Gazprom, its Russian supplier. But he calls it "flawed" and promises "a transparent market by the second half of 1997".

He says the mass privatisation programme will end by July, and the government is preparing its second phase of state sell-offs, targeted at foreign investments. The proposed sale of AvtoZaz, the largest motor company, will test whether Kiev will follow through on this promise.

"I want a real owner in every enterprise," he says. "Unfortunately there are no domestic owners who can turn these companies around. The only way out is to create attractive conditions for big western companies."

The first task, bowever, is the budget. After early reservations Mr Lazarenko firmly backs the tax cuts and draft budget. Presidential aides say Mr Kuchma will also put more pressure on parliament.

Mr Lazarenko pledges to back Mr Knchma in next year's parliamentary polls and the 1999 presidential election. But he adds coyly that, while being premier leaves him no time to create a political party, "if I would no longer be prime minister, then I would have more free time and think about something else."

Mr Lazarenko enjoys open support from Ukraina's largest company, United Energy Systems, and bankers from his home town, Dnipropetrovsk – whose moneyed elites belped bankroll Mr Kuchma'a successful presidential bid in 1994.

Analysts believe Mr Lazarenko could be better placed today to raise considerable funding for a new party or a presidential campaign from the same well. For that reason, Mr Kuchma may want to keep him on board.

EBRD chief asked to stay on

By Kevin Done, East Europe Correspondent

Western governments have asked Mr Jacques de Larosière to take on a second four-year term as president of the European Bank for Reconstruction and Development.

The future top management of the EBRD has been thrown into uncertainty amid speculation about Mr de Larosière's future as well as the possible return to the private sector of Mr Ron Freeman, first vice-president at the bank.

Mr de Larosière, 67, a former managing director of the International Monetary Fund and governor of the Bank of France, said he had been asked by Mr Ruairi Quinn, Irish finance minister and chairman of the EBRD's board of governors, to remain at the bank when his first term expires in September.

The offer was "a touching manifestation of confidence from shareholders," said Mr de Larosière, but he was "not yet ready to give an answer." He refused to comment directly on suggestions that Mr Freeman, the 57-year-old former Salomon Brothers banker, was planning to leave the EBRD which he joined in 1991.

Mr de Larosière and Mr Freeman are credited with reviving the fortunes of the bank after its controversial start led to the premature resignation of its first president, Mr Jacques Attali, former chief adviser to the late French president François Mitterrand, in 1993. Mr Attali was criticised for his high-cost management style and heavy spending on the luxurious fitting out of its London headquarters.

Under Mr de Larosière the bank's total administrative expenses have been kept under tight control.

He said yesterday that the bank increased its operating profit before provisions last year by 17.4 per cent to Ecu97.3m ($110.6m).

EUROPEAN NEWS DIGEST

Bonn to boost construction

The German cabinet will decide on Tuesday on measures triggering investments of DM25bn ($15bn) to assist job creation in the country's stricken construction industry, Chancellor Helmut Kohl said yesterday.

Mr Kohl told business leaders in Munich the state-owned banks Kreditanstalt für Wiederaufbau and Deutsche Ausgleichsbank would initiate investments worth DM20bn. A further DM5bn would be generated by bringing forward infrastructure projects in areas such as transport and higher education, using various forms of private finance.

The chancellor said the government hoped for a positive impact on jobs from some of the investment this year. He gave no details and neither the finance nor the economics ministry in Bonn was able to elaborate ahead of next week's cabinet. *Peter Norman, Bonn*

■ Germany's Federal Statistics Office said yesterday insolvencies in 1996 climbed 9.3 per cent to 31,471, a record for the fourth straight year. *Reuter, Wiesbaden*

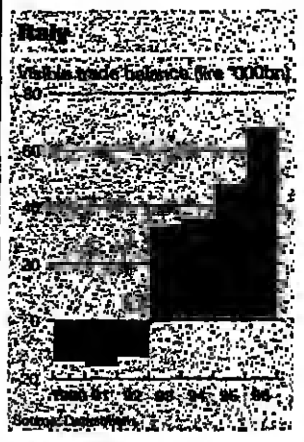
Brussels to probe Gan cash

The European Commission yesterday announced it was opening an investigation into a capital injection of FFr11bn ($1.9bn) and a state guarantee worth FFr9bn to Gan, the French state-owned insurance group – after a first tranche of aid worth FFr2.86bn and approved by the Commission last year, was insufficient to return the company to viability.

■ French plans to help the country's textile industry stimulate job creation were illegal, the Commission said yesterday, but it delayed a formal decision for two weeks. The measures were expected to save the French textile industry FFr2.1bn in salary-linked social security contributions. *Emma Tucker and Reuter, Brussels*

ECONOMIC WATCH

Italian trade surplus up



Italy's trade surplus in 1996 increased 48 per cent to a record L67,483bn ($40bn), a level considerably higher than expected. It was the fourth consecutive year since the 1992 devaluation of the lira that Italy had run a surplus.

The 1996 performance reflected a 4.9 per cent fall in imports as a result of depressed domestic demand, combined with a stronger lira that helped the money value of exports. In volume terms exports declined 1.3 per cent following the sluggish state of such key markets as Germany. Italy's overall share of world trade dropped back from the 4 per cent high in the wake of the 1992 devaluation to 3.7 per cent.

The surplus with the EU stood at L19,429bn, against L14,157bn in 1995. *Robert Graham, Rome*

Albania north-south rift deepens

By Guy Dinmore in Tirana

Albanian troops yesterday handed out weapons to anti-government protesters near the southern city of Elbasan, while loyalists collected weapons from a military academy in the capital Tirana, fuelling fears the Balkan country was heading towards all-out conflict between north and south.

As unrest moved closer to Tirana, Mr Bashkim Fino, the newly appointed prime minister from the opposition Socialist party, called on state television for dialogue with southern rebels who control a third of Albania. Mr Fino, 34, is a former mayor of the rebel-held town of Gjirokaster.

Rebel leaders who have formed a National Committee for Public Salvation renewed demands for the resignation of President Sali Berisha and a place at talks in Tirana.

They refused to hand in their weapons under an offer of general amnesty but said they did not intend to divide the country by force.

Soldiers at a barracks outside Elbasan, 55km south-east of Tirana, opened the gates to more than 100 anti-government protesters and allowed them to take weapons, including Kalashnikovs, from their arsenal.

In Tirana, police stood by and did not stop a crowd of men entering a military academy and collecting weapons, witnesses said. Residents said some northerners had been recruited by the secret police.

The unrest, sparked by the collapse of pyramid schemes in which many people lost all their money, began in the wealthier south and has moved steadily northwards.

Talks continued yesterday on the government of national unity proposed by Mr Berisha to run the country until June's elections, but the already fragmented opposition sbowed further signs of division when the centrist Democratic Alliance said it was dropping out of talks because of the president's refusal to give the opposition the position of interior minister.

Mr Berisha has lost control over the army in the south but may be able to count on the loyalty of special police forces, many recruited from the north where he has his powerbase. Even this is not certain, however. "Another government, another president – it does not matter: we are all brothers," said one plain-clothes policeman, a northerner in Tirana.

Diplomats fear Mr Berisha could lose control over the capital, especially if the largest pyramid fund, Vefa, goes under. At the moment, it is paying out small amounts of money to a few investors, keeping alive the bopes of others.

While Albanians waited angrily for their money, foreigners queued for aircraft tickets out of the country, heeding advice by several European embassies to get out as soon as possible.

Yesterday Washington ordered 160 US government employees to leave Albania because of the worsening crisis. It urged the estimated 2,000 private Americans living there to leave the country.

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Kremlin says president wants to go further, faster

MPs attack reshuffle by Yeltsin

By Chrystia Freeland in Moscow

The Russian parliament yesterday lashed out at President Boris Yeltsin for putting reformers in charge of the cabinet. But a top Kremlin official said the Russian leader remained determined to move further and faster with bold economic change.

In a furious reaction to the return of Mr Anatoly Chubais, Russia's controversial market reformer, to the cabinet, the Communist-dominated legislature overwhelmingly endorsed a resolution condemning the Kremlin.

The statement accused the president of pursuing a "ruinous social-economic course which has brought Russia to the brink of catastrophe".

The legislature, which had reached an accommodation with the centrist cabinet led by Mr Victor Chernomyrdin, the premier, said the appointment of the radical Mr Chubais would lead to a worsening in relations between the parliament and the government.

Bnt the protests of left-wing parliamentarians, who have execrated Mr Chubais for spearheading Russia's mass privatisation programme, seemed likely to fall on deaf ears.

Mr Maxim Boyko, a presidential aide brought into the Kremlin when Mr Chubais became chief of staff last year, said the president was committed to a package of tough economic reforms.

Some analysts predict they could sideline the prime minister, as Mr Chubais becomes Russia's sole first deputy prime minister.

In an interview, Mr Boyko offered implicit support for that view, describing Mr Chernomyrdin as "weakened".

However, Mr Boyko insisted Mr Chubais and Mr Chernomyrdin enjoyed "e good working relationship" and said the cabinet was more united than ever.

Government unity and a renewed degree of presidential backing would launch a new wave of economic reforms, he added.

"I believe that Russia is now on the verge of a very significant step forward," Mr Boyko went on. "I think the hope here and the source of all this is the sense that the second presidency of Mr Yeltsin is starting now."

Mr Boyko said the Kremlin chief was now fully behind a painful series of reforms, including an increase in rents and streamlining of the military. "His approach is very much to go further and further and further. In fact he is telling us: give me more concrete proposals. I want to go faster. That is the kind of signal we are getting from him."

The aide, who has worked closely with Mr Chubais since the beginning of market reforms, said one change would be an ettempt to strengthen local governments at the municipal and village level by broadening their tax base. Snch a shift would give the Kremlin e useful counterweight against the growing power of Russia's increasingly independent regional governors.

Implementation of the measures is not expected to begin until the make-up of a reshuffled cabinet has been announced later this week.

● Mr Yeltsin appointed his son-in-law acting director of the national Aeroflot carrier yesterday, a news agency said, AP reports from Moscow. Mr Valery Okulov was previously first deputy to the outgoing director, Mr Yevgeny Shaposhnikov.

Chernomyrdin yesterday: "weakened" by reshuffle Reuter

Bulgaria hopes for IMF deal

By Theodor Troev and Anthony Robinson

Bulgaria's caretaker government hopes to reach agreement with the International Monetary Fund on a new standby loan shortly, possibly by next week.

But senior IMF officials in Sofia have underlined that any deal done before the April 19 elections would depend on assurances that the winner would abide by the terms.

"I am encouraged that we shall reach an agreement with Bulgaria soon, but it will not be possible to release the first tranche before the elections," Mr Michael Deppler, director of the IMF's First European Department, said after talks with President Petar Stoyanov yesterday.

"Some differences still have to be cleared up. The Fund would like Bulgaria to join other central European states and achieve economic growth and a low level of inflation. But I have to be convinced that the policies accepted by the caretaker government will win wide support and will also be followed by the next government."

Last year, Mr Deppler advised Bulgaria to switch to a currency board system to stabilise the economy after the Fund in effect cancelled e $580m three-year standby loan agreement in October, only three months after the deal was signed. The former Socialist government was unable to comply with the terms against the background of a collapse in the largely unreformed banking sector.

The new standby loan is expected to be larger than the cancelled facility. The first tranche will probably be paid out after the elections but before the currency board is introduced in May or early June after approval by the new parliament.

The IMF team yesterday discussed the introduction of the currency board and ways of strengthening the banking sector with Mr Ivan Kostov, leader of the Union of Democratic Forces (UDF), the anti-communist coalition which dominates the caretaker government, and possible next prime minister.

A currency board deprives governments of the power to subsidise budgets or loss-making enterprises by rigidly linking the domestic money supply to the level of hard currency reserves.

The idea has been widely accepted by UDF leaders. But Mr Jeffrey Sachs, director of the Harvard Institute of Development and an economic adviser to Mr Stoyanov, warned this week against the restrictive implications of a tight monetary regime. "A currency board is a good idea. But it is a solution that needs to move to e more flexible system in the longer term," he said.

EUROPEAN NEWS DIGEST

Turks warn on customs union

Turkey could scrap its customs union with the European Union unless it wins full EU membership, Ankara's ambassador to the EU warned yesterday.

This is the first time a senior official has spelled out earlier informal warnings that Ankara would terminate the customs union, which took effect last year. Last week some EU conservative leaders said Turkey could not be considered "acceptable" for membership.

The government's Anatolia news agency quoted the ambassador, Mr Uluc Ozulker, as saying: "Our relations with the EU could not survive under these circumstances and customs union could not be continued."

Turkey, which had to overcome strong opposition in the European Parliament to clinch the customs union, considers this a final step before full membership.

Officials have also warned that Ankara would annex Turkish north Cyprus if the EU application were turned down. The government has already threatened to veto Nato expansion unless it joins the 11 countries already listed for membership talks. *John Barham, Ankara*

Russians fire on fishing boats

Russian coast guard ships fired yesterday on Turkish vessels fishing illegally near Georgia's Black Sea coast, Russian news agencies said. One fisherman was wounded.

Nine ships were detained. Eight of them were later released, while one, named Erin-Haidari, was held for further investigation, said the press service of the border guards' command. The press service said the Erin-Haidari refused to obey orders to stop and ignored e warning shot, forcing the guards to fire et its bow. It said Turkey had been notified of the incident.

Russian coast guard vessels patrol Georgian waters under an agreement signed in 1994 between the two former Soviet republics. *AP, Moscow*

Czech energy VAT to rise

The Czech government yesterday epproved a rise in value-added tax on energy prices to 22 per cent from 5 per cent from January 1 1998.

The move is part of wide-ranging plans to overhaul the tax system and price controls that are expected to include a similar rise in VAT on rents, cuts in corporate and personal taxes, and an increase in consumption taxes. These plans were still under discussion late yesterday.

Mr Václav Klaus, prime minister, said the "mechanics of tax collection" were also under scrutiny. The state budget recorded a deficit of Kc6.7bn ($227m) in February, which has been blamed on weaknesses in the state's ability to collect taxes. *Vincent Boland, Prague*

Spur to Romanian investment

The Romanian Development Agency, the official promoter of foreign investment, said yesterday it had drafted amendments to the foreign investment law to simplify procedures and increase incentives.

The changes proposed by the agency include free land and buildings for new production sites, tax breaks on profits, and an extension of existing exemptions from customs duties. Minimum investment needed to qualify for such facilities is to be reduced from $50m to $10m.

The proposed changes come in the context of Romanian hopes of joining western structures, notably Nato and the EU. *Anatol Lieven, London*

Spain labour pact near as unions soften stance

By David White in Madrid

A pact between Spaniab unions and employers on new labour practices appeared near yesterday but looked as if it would fall short of the fundamental reform the centre-right government and industrialists had hoped for.

Leaders of the country's two main trade union federations, the CEOE employers' body, and the small-company organisation Cepyme, reported significant progress in a last-ditch effort to reacb a voluntary agreement.

Mr José María Cuevas, the CEOE president, said the two sides were close enough to begin drafting the text of a possible pact covering labour contracts, redundancy terms and collective bargaining.

The breakthrough in the talks, on the verge of collapse at the beginning of the month, came after a change in the unions' stance towards contracts setting reduced limits on redundancy compensation. Under e new kind of contrect, aimed mainly et securing stable employment for young workers, redundancy payments would in normal circumstances be limited to about 30 days per year worked.

This would be less than most current redundancy settlements. In theory, companies with justifiable grounds for redundancies are liable to pay 20 days' wages per year worked, up to a limit of one year's wages. But slow court procedures mean the usual practice is to pay the higher compensation rate set for unfair dismissals of 45 days' pay per year.

The two labour federations, the General Workers' Union (UGT) and Workers' Commissions, had proposed new kinds of labour contracts to encourage youth employment, but resisted employer plans for contracts lasting up to 10 years with a fixed low-rate redundancy clause.

Their revised approach is aimed at converting temporary johs – which now account for just over a third of the total – into permanent hirings. However, the new compromise redundancy terms would not apply to workers already on long-term contracts.

Many business leaders fear the change will be inadequate to guarantee Spanish competitiveness within the planned single currency gronp of the European Union. Mr Victoriano Muñoz, chairman of the special steels producer Acerinox, warned the government last Friday that a bad agreement would be worse than no agreement, and it should "face up to the unpopularity of a general strike if necessary" to enforce the necessary changes.

However, the government has so far taken the position that it would intervene with legislation only if union-employer talks broke down or if they agreed not to change the current rules.

EU media initiative bogged down

Monti plan to limit ownership unlikely to win support from fellow commissioners

By Emma Tucker in Brussels

An initiative to produce rules regulating media ownership across the 15 European Union member states was last night postponed in the face of ferocious lobbying against it.

EU commissioners will return to the subject in coming weeks, but the prospects of success for Mr Mario Monti, the former economics professor who is the EU's commissioner responsible for the single market, appear bleak.

For the second time in two years Mr Monti is facing an uphill battle to convince fellow commissioners that EU-wide rules on media ownership are essential to the proper functioning of the single market.

Even a toned-down plan imposing a 30 per cent limit on a company's or individual's share of any national radio or television audience and a promise of "flexibility" in how the threshold would be applied is unlikely to win the support of the Brussels executive.

"Media ownership is just too sensitive an area for the Commission to be getting involved in," said an official.

Other EU officials, and representatives of the industry, are baffled why Mr Monti is pressing the proposals in the face of hostility from many member states and much of Europe's media industry.

Previous attempts to harmonise media ownership rules at an EU level, notably by Mr Monti's predecessor, Mr Raniero Vanni d'Archirafi, consistently failed to pass muster with the rest of the Commission.

The issue of who controls a nation's media touches a raw political nerve in member states; and the 1957 Rome treaty – the EU's founding document – states that diverse ownership or "pluralism" is a matter for national governments.

A more politically astute man than Mr Monti might have got the message – especially as his boss, Mr Jacques Santer, Commission president, comes from Luxembourg, home of CLT, one of Europe's biggest media companies and a large employer in Luxembourg. Mr Santer, a former Luxembourg prime minister, knows all about CLT's hostility to Brussels action on media ownership.

"Monti is very dogged," says one Commission official. "Once he has got his teeth into something, he doesn't like to give up."

Mr Monti points out that, whereas a reasonably level playing field has been created for the cross-border trade in goods and services, a single market in the media industry does not exist. A plethora of national laws on media ownership make it harder for companies to compete fairly or engage in cross-border investments.

But the industry says these rules have little to do with lack of cross-border investment, which is much more related to language and cultural barriers.

The European Publishers' Council (EPC), a body representing big media companies from across Europe, says that where companies have judged it commercially worthwhile to invest abroad, they have overcome such obstacles. CLT has 14 television channels in six countries and 18 radio stations across eight countries.

"If you look at the situation theoretically, then what the Commission is proposing is right," says Ms Angela Mills of the EPC. "But in reality, barriers to cross border trade will never be resolved by legislation."

A second explanation for Mr Monti's persistence on media ownership is that he is under pressure from the European parliament. But MEPs are approaching the issue from a different angle.

Whereas Mr Monti argues the importance of the single market, the parliament is fighting under the banner of cultural pluralism defended by EU regulation. In a January 1994 resolution, MEPs said that "national media legislation alone was no longer sufficient to safeguard diversity of opinion and pluralism in Europe".

There is a third, more intriguing explanation for Mr Monti's refusal to give up, which lies closer to home: the failure of national rules in his native Italy to prevent the creation of a media duopoly, dominated by Mr Silvio Berlusconi on one side, and RAI, the public broadcaster on the other.

"What private media companies in Italy want is a European directive to sort out the situation in Italy," said an industry specialist. "They don't believe that the Italian government would ever dare to tackle Berlusconi..."

De Silguy quietly shelves tax study

By Lionel Barber in Brussels

The European Commission has quietly shelved a study on how countries in the planned single currency zone could co-operate more closely on tax harmonisation and social security.

Mr Yves-Thibault da Silguy, European Union monetary affairs commissioner, launched the study in the new year to stimulate the debate on "flexibility" in Europe, whereby some countries can press ahead with integration without being held back by others.

However, Mr Mario Monti, internal market commissioner, and others complained that Mr de Silguy was "jumping the gun". They opposed opening a debate on tax matters which risked alienating EU countries initially left out of economic and monetary union.

Mr Monti also argued that tax reform should be dealt with under the unanimity rule in the decision-making council of ministers. His efforts edged forward this week with the first meeting of a high-level group of represantatives of all 15 EU finance ministers to deal with unfair tax competition.

In retrospect, Mr de Silguy's tax initiative could be viewed as a far-sighted effort to define the rule of the post-Emu world, or as a covert attempt to protect and extend the Commission's and his own role should monetary union go ahead on schedule in 1999. Mr de Silguy is pressing hard for the Commission to have a formal role alongside the future European Central Bank at Group of Seven industrialised nation summits when matters relating to the euro zone come on the agenda.

Officials said the Commissioner's draft report on tax harmonisation seeks to sketch how countries could co-operate in fiscal policy without violating EU treaties. These give the Commission powers of supervision and enforcement relating to the internal market and budget discipline among countries in and outside the euro zone.

In a potential threat to the Commission's post-Emu role, France has proposed a looser intergovernmental approach which would create a "Stability Council" of euro member states acting as a political counterwaight to tha future European Central Bank.

One obstacle to greater fiscal harmonisation is that the Maastricht treaty stipulates that all 15 member states have agreed that countries taking part in Emu cannot raise extra barriers against future entrants.

Luxembourg, which takes over the rotating EU presidency on July 1 from the Netherlands, has pledged to examine the question of tax competition with a view to achieving a code of conduct.

Brussels drive to cut non-wage labour costs

By Caroline Southey in Brussels

Tha European Commission yesterday stressed the need for European Union countries to cut non-wage labour costs as part of a drive to boost job creation.

In the most critical assessment by Brussels on the EU's social protection regimes, the Commission backed a working paper setting out the deficiencies in social protection systems across the Union.

The Commission's initiativa comes in the wake of the controversial closure of a factory in Belgium by the French carmaker Renault. The company cited Belgium's high non-wage labour costs as the main reason for its decision.

Mr Padraig Flynn, European commissioner for social policy, said the Renault closure underlined the need to develop a "social dimension to complement the single market", including a convergence of social protection plans in the EU.

"Social protection must adapt to survive. This does not mean unravelling the welfare state but modernising it," the Commission paper said.

It underlines the urgent need for governments to reform all aspects of social protection, including health care, unemployment benefits and pensions, pointing out that publicly funded social protection systems account for 28 per cent of the EU's total gross domestic product. To improve the EU's poor job creation record, the document calls for an overhaul of unemployment compensation schemes and taxes to provide incentives for taking up work.

The paper argues that "reactive unemployment insurance" should be replaced with "pro-active employability insurance".

The European Commission yesterday approved proposals for a minimum tax for electricity output as well as a tax for natural gas and coal when thay are used as motor fuel or heating fuel, Caroline Southey writes from Brussels. Coal and natural gas would be exempt when used as raw materials or chemical reductions. The proposals are likely to provoke controversy as national governments consider taxation their prerogative.

"Taxation and social protection systems need to be made more employment-friendly while still providing a safety net for the jobless," the paper argues, adding that "dependency on social protection is likely to grow for as long as tha net gain expected from return to work is small".

The paper argues that non-wage income support should be introduced, such as providing public or subsidised child care.

Liberal who became symbol of new Ireland

Mary Robinson turns down chance to serve second term

By John Murray Brown in Dublin

Robinson: dramatic changes

Mrs Mary Robinson, who announced her decision yesterday not to stand for a second term as Ireland's president, has come to symbolise the dramatic changes the country has undergone in the past decade.

She personified, as much to the outside world as to the Irish, the new Ireland, increasingly self-confident, no longer priest-ridden, and no longer living in the shadow of the UK, its former colonial master.

How much was her doing and how much was good timing are difficult to judge. Her victory in 1990, far from being evidence of a progressive or women's vote, was secured only after the favourite, Mr Brian Lenihan, tha Fianna Fail candidate, became embroiled in allegations of political impropriety.

But she did mnch to reinvent the office of the presidency – a job that was held hitherto by worthy elder statesmen and that had remained largely ceremonial.

A former Trinity College law professor, and member of the Senate, Ireland's upper house, for 20 years, she took a liberal position on social issues – she was part of the Divorce Action group, lobbied for the introduction of contraception, and acted for Senator David Norris in his case in the European court of human rights seeking the decriminalisation of homosexuality.

On the Northern Ireland issue in particular, she broke with tradition, famously photographed shaking the hand of Mr Gerry Adams, the Sinn Fein president, several months before the IRA declared its ceasefire and while the government still refused to have contacts with republicans.

As the wife of an Irish Protestant, she brought a special sensitivity to the Northern Ireland problem. She resigned as a Labour senator over the UK-Irish Hillsborough Agreement on power-sharing in Ulster in 1985 because she believed it had been imposed on the Unionist majority – though five years later she was Labour'a nominee for president.

As president, she was careful not to be overreach her constitutional role, and was criticised during the divorce referendum in 1995 for a couple of pointed interventions in support of legalising remarriage.

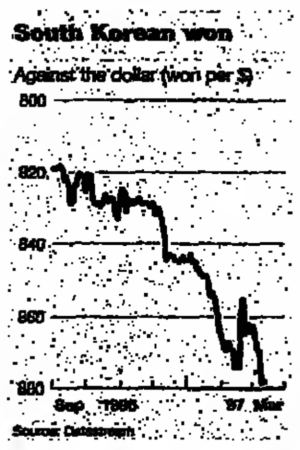
Through a hectic travelling schedule, she also did much to stimulate a public debate about the role of Ireland's diaspora, keeping a candle lit at Aras an Uachtarain, the president's official residence, in memory of the Irish abroad.

This week again she was the subject of media comment after her first visit to the Vatican, when she was criticised by traditionalists for not wearing a "mantilla" – the deferential head scarf worn in church by Catholic women.

NEWS: ASIA-PACIFIC

S Korea moves to cap rate rises

By John Burton in Seoul



South Korea's central bank yesterday said it would provide commercial banks with Won1,200bn ($1.36bn) in an attempt to cap a sharp rise in interest rates that has unsettled the Seoul stock market.

High rates and a sharp fall in the value of the South Korean currency – the won – bode ill for the economy this year. Some economists predict that South Korea is heading for a period of stagflation, with sluggish growth and rising inflation because of higher import costs.

The central bank yesterday cut its 1997 economic growth forecast to 6 per cent, from 6.4 per cent. But private economic institutes predict a growth rate closer to 5 per cent, the slowest in nearly 20 years.

The pressure on interest rates came from a lingering credit crunch caused by late January's collapse of the Hanbo steel and construction group, which was the country's biggest bankruptcy.

The yield on three-year corporate bonds, a measure of long-term interest rates, stood at 12.7 per cent yesterday, up from 12 per cent at the end of January.

A slowdown in sales has also forced South Korean companies to borrow more money to service their high debt burdens.

The prospect of continued high interest rates has led to a 3.7 per cent fall in the Seoul bourse's general share index since Friday. After closing at 655.95 on Tuesday, it rebounded yesterday to 663.90 on bargain hunting.

Stock market sentiment has also been depressed by the continued fall of the South Korean currency against the US dollar, in response to a widening trade deficit. A weak South Korean won could hurt earnings this year of companies with large dollar-denominated foreign debt.

Some of South Korea's biggest companies were threatened with net losses for 1996 because of foreign exchange losses on overseas debt as the won fell by 8.2 per cent against the dollar.

They managed to avoid reporting deficits after the government let them capitalise most of their foreign exchange losses, although profits for listed companies still fell by 70 per cent.

The won has fallen a further 3.3 per cent this year, and closed yesterday at 877.30 to the dollar. Analysts believe that it will fall to 900 to the dollar by June because of the growing current account deficit and the outflow of foreign funds from the Seoul bourse.

Moreover, South Korean exporters are not expected to benefit much from the weak won, as the Japanese yen is falling more quickly against the dollar.

In anticipation of a continued fall in the currency's value, South Korean companies have increased holdings of dollars in their foreign currency deposits, which puts further downward pressure on the won.

This has undercut efforts by the central bank to stabilise the won. The bank intervened in forward currency contracts markets in mid-February after the unit hit a seven-year low of 878.80 to the dollar. The rescue proved short-term, as the currency resumed its slide last week.

World stocks, Page 36

ADB in plan to lend Vietnam $1.5bn

By Jeremy Grant in Hanoi

The Asian Developm[ent] Bank (ADB) plans to le[nd] Vietnam $1.5bn for the ye[ars] 1997-2000, it said yesterd[ay]. This will make the coun[try] the biggest recipient of [the] bank's concessional fundi[ng].

However, the ADB ur[ged] Hanoi to improve disbu[rse]ment of official developm[ent] assistance, reflecting wi[de] spread concern over proj[ect] implementation in the c[om]munist-run country.

The new pledge highlig[hts] how increasingly doo[...] dependent Vietnam [is] becoming as the rate of [for]eign investment promi[ses] ebbs and the authoriti[es] struggle to mobilise don[es]tic savings.

"The government agr[ees] with the [ADB] missic[n] view that raising the rat[e of] savings is one of its m[ost] urgent macro-ecooo[mic] tasks.

"In the meantime, h[ow]ever, the country would c[on]tinue to depend on sig[nifi]cant external assistance [for] its development needs," [the] ADB statement said.

About 40 per cent of [the] money would go tow[ards] roads and power projects [...] per cent would be spent [on] agriculture and rural de[vel]opment, a further 25 per c[ent] on education and health [and] the rest on financial se[ctor] reform.

The money will be p[ro]vided on terms wh[ich] include a 40-year repaym[ent] period, including 10 ye[ars] grace and a service charg[e of] 1 per cent.

The fresh funding co[mes] on top of an existing $1b[n in] loans extended by the A[DB] since it resumed lendin[g to] Vietnam in 1993. T[he] money has been sunk int[o] projects in roads, water, i[rrigation,] eries, power and rural cr[edit] in a country that is [...] among the world's poore[st].

However, one projec[t, a] $65m Ho Chi Minh C[ity] water scheme, had b[een] labelled problematic du[e to] slow implementation by [a] local partner, accordin[g to] Mr Rajat Nag, ADB [pro]grammes manager, in ch[arge] of Vietnam. That reflec[ts] wider concern over the level of disbursement ge[ner]ally. "The bank is concer[ned] about project impleme[nta]tion performance [in V[iet]nam]," Mr Nag said.

Disbursement of offi[cial] aid from Japan, by far V[iet]nam's largest donor, is at 3 per cent per year of mo[ney] committed, against [a] regional average for such of 18 per cent.

An additional issue [is] the difficulty Hanoi is h[av]ing raising counterpart fu[nd]ing for its share of planned projects. This st[ems] from Vietnam's fragile [bal]ance of payments positio[n].

Mr Nag said Hanoi [had] agreed to try to meet a f[...] disbursement target of [...] per cent of net loans [out]standing by the end of [the] year, up from a current [rate] of about 7 per cent. [The] average for all ADB proj[ects] is 14 per cent.

Editorial comment, Page

ASIA-PACIFIC NEWS DIGEST

Lee sparks row with Malaysia

Malaysia and Singapore were embroiled yesterday in a row after Mr Lee Kuan Yew, the Singapore senior minister, described a southern Malaysian state as "notorious for shootings, muggings and car-jackings". His remarks touched off a second diplomatic row in eight months, signalling that relations are souring between the two neighbours, both leading members of the Association of South-east Asian Nations (Asean). Malaysia's foreign minister, Mr Abdullah Badawi, summoned Singapore's ambassador to Malaysia to protest at the remarks.

Mr Lee's remarks came in a written affidavit during court proceedings against Mr Tang Liang Hong, a Singaporean opposition politician who fled to the Malaysian state of Johor in January after losing an election contest against Singapore's ruling People's Action party.

The strength of Malaysia's reaction to Mr Lee's comments surpassed that seen in the last bilateral disagreement, which was also started by Mr Lee. The senior minister said last June that Singapore could consider rejoining Malaysia if the latter country dropped its policy of preferential treatment for the Malay race over the minority Chinese. *James Kynge, Kuala Lumpur*

Burma growth likely to slow

Economic growth in Burma is slowing and the economic situation is likely to worsen over the next several years, according to a confidential report prepared by the International Monetary Fund. The growth rate in the fiscal year 1996-97 was 6.1 per cent, down from an average of 8.25 per cent in the four previous years.

Continued reliance on an overvalued official exchange rate and large fiscal deficits has caused the economic situation to take "a marked turn for the worse since April 1996", the report says. Foreign exchange reserves have fallen to $213m, the lowest since the 1988 military coup, while debt service arrears accumulated, leaving over $1.5bn outstanding at the end of the last fiscal year.

Without a one-off devaluation of the currency by more than 2,500 per cent, coupled with structural reforms, growth would fall to 4 per cent by 2000, the current account deficit would increase by 14 per cent and foreign exchange reserves would cover just over one month of imports, the IMF predicts. *Ted Bardacke, Bangkok*

Indonesia cuts interest rates

Indonesia's central bank yesterday signalled a further relaxing of monetary policy by announcing a 50 basis point cut in its interest rates on money market certificates, the financial instruments through which banks borrow from the central bank. The across-the-board cut reduced rates on one-week money market certificates, from 15.25 per cent to 14.75 per cent, while the two-week rate dropped to 15 per cent and three, six and 12-month rates to 15.5 per cent. The move is seen as an attempt to curb an appreciation of the rupiah and improve export competitiveness. *Manuela Saragosa, Jakarta*

Bangladesh coup trial starts

The trial of 20 people accused of murdering Sheikh Mujibur Rahman, founder of Bangladesh, in a 1975 military coup started yesterday with all six who were brought before the court saying they wanted to retract their confessional statements because of alleged torture. The six, a woman and five men, include a former minister and three retired senior army officers. The remaining 14 accused are expected to be tried *in absentia*.

The case was brought after Sheikh Mujib's daughter, Sheikh Hasina, took over as prime minister in general elections last June. *Kasra Naji, Dhaka*

Companies warned over payments to racketeers

Keidanren takes tough stance on corruption

By William Dawkins in Tokyo

The Keidanren, Japan's influential economic federation, yesterday promised a crackdown against corporate corruption in response to scandals involving payments to racketeers.

Companies found to have violated a revised Keidanren charter of good corporate behaviour, approved last year, will be suspended from the organisation, said Mr Masaya Miyoshi, Keidanren president.

He was reacting to last week's admission by Nomura Securities, Japan's top stockbroker, that it had made "apparently irregular payments" to a property company run by the brother of a *sokaiya*, an underworld figure who extorts cash by threatening to upset shareholders' meetings. Two executives of Ajinomoto, the leading food processor, were arrested on Tuesday for allegedly paying *sokaiya*.

Tha Keidanren had yet to decida whether to take action against Nomura and Ajinomoto, Mr Miyoshi stressed. But he said it was "maybe possible" that Nomura would be suspended, depending on results of an inquiry by the securities and exchange surveillance commission, expected soon. As for Ajinomoto, the Keidanren would "wait and see".

"Our closed and traditional society must change," said Mr Miyoshi. Apart from a change in culture, practical solutions were more self-regulation, as embodied in the Keidanren charter, greater disclosure of financial information and a more systematic attack on corruption by government authorities, he said.

The Keidanren's veiled warning marks a tougher stance against corruption by the business establishment, coming at a time when corporate Japan's international reputation has been damaged by scandals at Daiwa Bank, involving hidden losses by a New York-based bond dealer in 1995, and at Sumitomo Corporation, the general trading company, involving a failed attempt by a metals dealer last year to drive up world copper prices.

The Keidanren has already started to act on its new code, by suspending for six months the memberships of Kimmon Manufacturing and Aichi Tokei Denki, Japan's two biggest producers of water and gas meters, after they were accused last month by the Fair Trade Commission of rigging contract bids in Tokyo.

Out of the gangster's shadow, Page 15

China pledges to focus on financial fraudsters

By James Harding in Shanghai

Criminal activity on China's fledgling financial markets soared last year, prompting the government yesterday to promise a crackdown on financial fraud in 1997.

Crimes involving shares, bonds and commercial paper increased 87.8 per cent in 1996 compared with the previous year, according to a raport to the National People's Congress, China's parliament. Disputes over financial contracts rose by 32 per cent, evidence according to state authorities that financial irregularities have becoma "a serious problem in China".

The pledge yesterday by the People's Supreme Court, the highest court in the country, to focus on fraud follows revisions announced last week to the national criminal code to include crimes such as money laundering and insider trading.

Delegates to the annual meeting of the People's Congress in Beijing have committed China to maintaining the momentum of Deng Xiaoping's economic reforms, but are clearly alarmed by the rising white-collar crime that has accompanied the conversion to a market economy.

However, the Congress has yet to agree to a basic securities and futures trading law. Tha securities law, which was first considered in 1993, is still under revision, according to a report this week in China Securities, the state-owned newspaper. A draft futures trading law was submitted to select Congress members last year, but awaits final approval.

The development of China's derivatives markets has been at a standstill since bond futures were banned following a huge trading scandal in Shanghai in 1995. Earlier this year, the man at the heart of the attempt to fix bond prices was sentenced to 17 years' jail.

Chinese authorities have reacted severely to other attempts at market manipulation on smaller commodities markets, which are particularly prone to audacious attempts at price rigging.

Over the weekend, the Shanghai Securities News, the official newspaper, reported that Jinma Futures had been suspended for six months from the market after allegedly cheating clients by faking reports on trades of green bean futures on the Beijing and Zhengzhou futures exchanges.

A separate attempt to corner the markst in green bean futures in Zhengzhon late last year was foiled when an individual was found to have bought contracts far in excess of exchange limits by using several false names.

Clubby Manila exchange resists reform

Mr Wilson Sy, the chairman of the Philippine Stock Exchange, also owns a brokerage – Wealth Securities – and has interests in two others. He sits on the board of Belle, a listed property and gaming group, and manages a mutual fund which last year yielded a 58 per cent return, more than three times greater than its nearest competitor.

Most mornings he is found on the exchange trading floor, where the clubby atmosphere often blurs personal and institutional demarcation lines.

It is this cosiness which many argue is to blame for the resignations crisis which has rocked the stock exchange in the past week. Several key heads of departments – including compliance and surveillance, which investigates insider dealing – walked out amid reports of clashes with Mr Vitaliano Nanagas, the exchange's president who resigned at the weekend after five months in the job. Three have since returned.

More seriously, however, the departures followed the disclosure that the exchange had ended investigations into between seven and 10 brokerages for insider dealing and price manipulation without informing the Securities and Exchange Commission (SEC), the market regulator.

Mr Perfecto Yasay, chairman of the SEC, says he will start administrative prosecutions of those suspected of violations within weeks and will also withhold granting the exchange permanent self-regulatory status at least until it submits a regulatory plan and a new president is appointed.

Mr Nanagas' successor will face an uphill battle in deepening reforms which upset the status quo. Previous attempts to upset the applecart have proved difficult. In 1995, Ms Maricel Lopez, then head of compliance and surveillance, resigned after threa kidnap attempts and numerous death threats.

Brokers have a long way to go in understanding the new concept of self-regulation, says Mr Yasay, as evidenced by the latest catchword on the exchange of *walang pulis* – literally meaning "no cops", a worrying indication that self-regulation status may have been awarded prematurely.

Mr Nanagas says he tried to professionalise the exchange by introducing more transparent and ethical operations, clear lines of authority, tight standards, accountability, and technical competence. He admits he may have moved too quickly and ruffled feathers.

The lack of transparency will be a serious problem for the new president. In January, the shares of several small mining and oil companies shot past through the exchange's ceiling which limits daily price rises. Mr Yasay says when he requested details of the trading he was told the exchange's automated surveillance system – which identifies brokers' bnying and selling – had broken down.

"It would be great to see a new president clamp down on manipulation of share prices and insider trading but I think it's unlikely because there are simply too many vested interests involved," says one foreign banker.

The influence of brokers on the professional management of the exchange remains another key area for reform. Even after winning increased representation [in] last week'a elections to the bo[ard,] non-brokers will only occupy t[...] of the 15 seats. Mr Roman Aza[...], chairman of the capital ma[rket] davelopment council, says [the] exchange must increase repre[sen]tation of both non-brokers [and] institutional brokers to balance [the] influence of smaller, local hous[es].

Before its progress was ru[dely] interrupted, the exchange [was] cruising steadily forward. [In] December, the SEC granted it t[em]porary self-regulatory status. [A] month later, the central deposi[tory] system was opened, paving [the] way for increased investment f[rom] overseas. Rounding off the st[ring] of successes, the market then [hit] an all-time high of 3,447.6 in [the] first week of February.

Justin Maro[...]

NEWS: THE AMERICAS

ow deepens growing US unease over relations with Asian giant

'unding scandal puts China on hold

ancy Dunne in Washington

ıding allegations that Beijing ıpted to funnel illegal cam- ı contributions to US political es and candidates have added growing sense of unease in ıington over US China policy.

Dan O'Flaherty of the ınal Foreign Trade Council, a ıess and labour organisation, over the number of "impoo- ıles" operating simultaneously e aftermath of the death of Xiaoping, the coming trans- f Hong Kong on July 1, the ng US trade deficit and a new te in the US foreign policy ılishment over the policy of ıgement".

s the worst possible time for motivations of the administra- to be called into question by a raising scandal," he says. ı it is hard to see what direc- the debate or events will "

inese unhappiness is growing. foreign ministry in Beijing ı in the US chargé d'affaires week to complain about "mali- fabrications" in the US press.

Just a month ago, the administration's course on China seemed set. High-level visits, starting with Vice-Presideot Al Gore to Beijing this month, were to begin for the first time since President Bill Clinton took office. The policy was "to engage" on several levels simultaneously – trade and economics, nuclear proliferation, drug trafficking, human rights, Asia policy – with more freqnent meetings between senior officials on both sides.

But there have been moves on Capitol Hill to take a hand in the game. Mr Dick Gephardt, the Democratic leader in the House, has introduced a bill requiring the administration to get congressional approval before approving China's membership of the World Trade Organisation. The House this week approved a bill outlining US concern about Hong Kong's reversion, requiring adminiatratlon reports and presidential actinn if China fails to keep its promises on Hong Kong's autonomy.

A further complication could be the annual debate over the renewal of China's most favoured nation trade status, which follows the Hong Kong transfer. The challenge tn Mr Clinton's policies has gone beyond the Ideological alliance of House Republican populists and Democratic liberals.

Specialists call on US to stop Chinese attempts at 'hegemony'

The consensus among foreign policy experts was once heavily in favour of engagement; now many are castigating China as an emerging evil superpower.

Foreign Affairs magazine this month carried a piece by two veteran China specialists, Mr Richard Bernstein and Mr Ross H. Munro, warning that "America's number one objective in Asia must be to derail China's quest to become a 21st-century begemon". The New Republic devoted much of its March 10 issue to an attack on "destructive engagement".

The new concern about Beijing arises just as the Republican majority, preoccupied with domestic issues in the last Congress – had begun to take an interest in foreign affairs and China particularly. About one-fifth of the Republican membership travelled to Beijing during the last congressional break; Mr Newt Gingrich, the House speaker, is to make his first trip there later this mooth witb a hipartisan delegation.

Perbaps typical of the congressional tourists is Congressman Joo Fox, a Pennsylvania Republican, who recently returned enthusiastic about an agreement to establish a joint permanent parliamentary committee to work on common problems. "We found human rigbts concerns were hlown up beyond reasonable proportions. There have heen improvements, and there is interest by the Chinese leadership to move closer together," said Mr Fox.

He was struck by the sight of Chinese motorcylists wearing surgical masks against polluted skies. "They need our environmental expertise; we should be accommodating them." Mr Fox and others believe all will depend on how the story of China's alleged campaign financing plot develops. "Tbere could be terrible downside possibilities if it turns out they tried to interfere in US politics or people believe they tried to interfere," said one lobbyist.

A senior Republican staffer said: "The question of whether tbe administration has been for sale or rent feeds into tbe general question of its trade policies. The $40bn trade deficit raises another question – what the US gets from this relationship."

Mr Calman Coben, of the emergency committee for American trade, a group of multinationals, has been leading the MFN renewal battle for years. He believes the administration's China policy could suffer a short-term setback.

"But after a month or two, there will be a return to the issue. Then members will ask a more hasic question: What is in the US national economic interest? It is on that basis that a decision to move ahead will be made."

An Argentine heroine in the making

By Jimmy Burns

Fernández: 'I entered politics against the generals'

Evita might have proved a global box-office hit, but in Argentina a quite different and rather more tangible political heroine is emerging.

Mrs Graciela Fernández Meijide, a 67-year-old former French teacher, is on course to become a serious challenger to the presidency of Mr Carlos Menem.

"Evita came to power at the hands of a general – her husband Perón. I entered politics against the generals," says Mrs Fernández. She was speaking at the start of a short European tour that comes against the background of opinioo poll ratings confirming her as one of the country's most popular politicians.

Polls make Mrs Fernández an easy winner in October's crucial mid-term congressional elections, in which she will represent the centre-left Frepaso alliance as the candidate for the province of Buenos Aires.

A win would strengthen her bid for the presidency in the oext national election, due in 1999, after her stroog showing in last year's Senate and local elections.

Mrs Fernández's popularity is based on impeccable democratic credentials.

Her life was shattered under the military regime in 1977 when the security forces broke into her home and arrested her 17-year-old son Pablo. He joined thousands of Argentines who "disappeared" without trial or trace.

Mrs Fernandez turned overnight into a human rights activist, becoming a leading member of the commission investigating the abuses of the military junta after the return of democracy in 1984.

She has built up a political platform based on an increasingly outspoken opposition to the Menem government.

"In Argentina, democracy is in danger of being eroded again," she said this week.

"There is growing social unrest and a widespread feeling of insecurity because of the government's economic programme, the lack of an independeot judiciary, and an endemic corruption at official level."

'uts secure a landslide victory in Alberta

ernard Simon in Toronto

ıalph Klein, premier of the ch Canadian province of ta, has proved that fiscal dis- e and electioneering without h promises can do wonders for itician's popularity.

Klein's Progressive Conserva- bounded to a landslide vic- in elections held on Tuesday. ories won 63 of 83 seats in the ncial legislature, up from 54 previously. The opposition als fell from 29 to 18 seats.

Mr Klein, an avuncular former TV reporter and mayor of Calgary, ran a low-key campaign, built around the image of a down-to-earth politician who kept his word.

Under his leadership, the Alberta Tories pioneered a wave of fiscal restraint that has swept across Canada over the past five years. They have turned a record budget deficit into an expected C$2.2bn (US$1.6bn) surplus in the fiscal year ending on March 31, the third surplus in a row.

The turnaround was helped by rising tax revenues, boosted by strong prices for oil, natural gas and wheat, the three mainstays of Alberta's economy. But the Tories also cut deeply into public spending, including such sensitive areas as healthcare, welfare and education. They have also privatised many government agencies and services, from liquor distribution to the issue of birth certificates.

Alberta's economy is expected to outperform the other nine provinces this year, with a real growth rate of about 3.5 per cent. Although Albertans make up only about a tenth of Canada's workforce, the province accounted for one-third of new jobs created last year.

A growing number of companies have moved to Alberta, especially Calgary, attracted by the lowest tax rates in Canada. Alberta is the only province without a retail sales tax. Barring a slump in commodity prices, Mr Klein's challenge in his second mandate will be to forge a consensus on the role of government in an era of prosperity.

A balanced budget and debt retirement act requires budget surpluses to be used to eliminate the province's debt, expected to be achieved early next decade. However, rising public disquiet over health services recently led the Tories to loosen the spending reins in that area.

At least seven of Canada's 10 provinces are expected to post budget surpluses this year. The two biggest, Ontario and Quebec, have pledged to balance their books by 2001 and 2000 respectively.

IERICAN NEWS DIGEST

'enezuela anger ın corn imports

governors of three of Venezuela's key agricultural es bave banned imported corn in support of local iocers unable to sell their more expensive crops oo domestic market. Angry farmers have been acking trucks carrying imported maize.

r Iván Colmenares, governor of the state of uguesa, said this week: "We want our domestic cultural production to be used by the national essing industries, and we won't lift this ban until otiations resume between the government, and lucers and processors of grains."

r Hirán Gaviria, president of Fedeagro, the cultural federation, said: "We have a few large orters distorting tbe market and harming tens of ısands of domestic producers." According tn Fedeagro, cost of imported yellow corn, mostly from the US, is ut $200 per tonne, while domestic sorghum costs $276 toone.

mong the principal industries affected by the import are Empresas Polar, the food and beer glomerate. *Raymond Colitt, Caracas*

S growth 'moderate'

US economy continues to expand "at a relatively lerate pace", according to the Federal Reserve'a Beige k survey of current economic activity.

etail sales were up in most of the country compared a year earlier, and most regions reported high levels ıanufacturing activity, with only pockets of weakness.

he survey said that tight labour market conditions sisted throughout the country, but added that wage s remained moderate, showing "no signs of breaking of the 3-4 per cent range that has been cited in the last eral reports".

he aurvey found "pockets of persistently upward wage as", mostly related to high-technology and aircraft ors. Inflation appeared to remain tame, the Fed said.

he survey will help the Fed prepare for its March 25 ting to plot monetary strategy. *AFX, Washington*

Ioney laundering accord

igua and the UK have signed an agreement to combat ıey laundering and drug trafficking, as part of an rt to tighten controls of the island's offshore banking tor which has been said by British, US and Canadian horities to be a haven for money launderers.

he eastern Caribbean island, which recently signed a llar pact with the US, said last month it was closing of six Russian offshore banks, which local officals l were suspected of laundering "hundreds of millions lollars" for the Russian mafia. Most of the island'a 57 hore banks are US-owned.

he agreement provided for a wide measure of mutual istance between the governments of the UK l Antigua and Barbuda in the investigation, restraint l confiscation of the proceeds and instruments rime, a statement by the Antiguan government l. *Canute James, Kingston*

xchanges plan 24-hour trade

ex, the New York Cotton Exchange's currency futures l options market, is to link up with the Malaysia netary Exchange to create a 24-bour trading operation.

he move, announced yesterday, will initially involve currency contracts which are traded in New York and blin. But Finex said it planned to introduce four new lar-indexed futures contracts based oo the Malaysian ggit, Indonesian rupiah, Singapore dollar and Thai ıt.

We would like to mirror our Dublin success in the en region, wbere no futures market for local rencies now exists," said Mr Charles Minaar, NYCE ior vice-president for marketing and product relopment. No date has been announced for the ve. *John Murray Brown, Dublin*

New Yorkers are happier about their city than they ve been in a decade, according to a poll published terday. Half of those surveyed said that even if they l the option to move out nf the city they would not. it was the highest response to the question in more n a decade, the New York Times said.

hirty-four per cent of those surveyed by the newspaper l life in the city has improved in the last four years, up m 10 per cent in a 1993 survey. *AP, New York*

Court upholds 2,900% phone cost rise

By Joanna Tuckman in Guatemala City

A Guatemalan court has refused to suspend a 2,900 per cent increase in the cost of local telephone calls. The rise last month was to help prepare for the sale of 95 per cent of the state-owned telecommunications company scheduled for mid-June.

Mr Gustavo Saravia, the state modernisation commissioner, expressed satisfaction and relief at Monday's ruling. But the failure of the case, brought by Mr Jorge Garcia, the national human rights ombudsman, does not completely clear the route to privatisation.

The sale of the telecoms company is the linchpin of an ambitious programme annnunced earlier this year.

The programme also affects the electricity sector, railways, ports, airports, postal service, tourist board and Agricultural Development Bank.

Even the most vehement opponents of privatisation accept that the procesa is unstoppable but there are still potential obatacles ahead.

Last week the ruling National Advancement party's majority in Congress ensured the approval of reforms to the contracts and sales law, opening the way for the transfer nf all state concerns to private sector control with minimal procedure requirements.

Opposition parties have said they will take the refnrms to the Cnnstitutional Court. They argue that the modified law disregards the need to safeguard consumers. They also complain that the legislation gives government nfficials the power to sell off state assets or grant concessions at will.

Ms Nineth Montenegro, of the leftwing minority party New Guatemala Democratic Front, says the objective is not to stop privatisation but to win "compensatory measures".

"Privatisation is a fact, but perhaps we can fnrce some price regulation and recognition of the need for a strong state to run alongside respect for private enterprise," she says.

The Guatemalan labour movement is uniting around the privatisation issue and pressure is also growing on the former leftwing guerrillas to take a stance. They are currently preoccupied with demobilisatinn following a peace treaty signed at the end of last year.

NEWS: WORLD TRADE

Abu Dhabi turns up the gas in $10bn project

Western engineering groups line up to bid for contracts as Gulf state moves to develop its gas fields

Soaring domestic consumption of electricity, and restrictions on oil production by Opec quotas, have led Abu Dhabi's National Oil Company (ADNOC) to initiate a crash programme to expand gas output.

Although better known for having the world's third largest proven oil reserves after Saudi Arabia and Iraq, Abu Dhabi, the richest of the UAE's seven emirates, also has the world's fourth highest reserves of natural gas, after Russia, Iran and Qatar.

The emirate's gas consumption has doubled in the last decade to 1.75bn cubic feet a day (cfd) and is expected to rise to 3bn cfd by 2000 and 4bn cfd by 2005. But the economics of Opec production quotas, by which the UAE is limited to 2.16m barrels a day (b/d), also provide an incentive to develop gas reserves.

Abu Dhabi's oil production capacity is 500,000 b/d above its 1.9m b/d production. Developing gas helps increase exports of condensates which are not subject to Opec quotas.

In just six months, ADNOC has committed itself to $10bn of work to expand or modernise on- and off-shore gas extraction and distribution systems; to advance the development of Ruwais, on the Gulf coast west of Abu Dhabi, into an important export base for petrochemicals; and to turn Taweelah, site of an $8bn power station being built by Asea Brown Boveri and Belgium's Six Construct north of the capital city, into a gas-based industrial zone.

The decision to turn to gas is proving to be a bonanza for western process and power engineering companies with $2.7bn worth of on- and off-shore gas-enhancement and expansion contracts on the "fast track" to be awarded this year; and more than $3bn worth of additional work to develop petrochemicals and upgrade the refinery at Ruwais.

First of the "fast track" schemes is the second phase of the $1bn onshore gas development programme (OGD-2) centred on the onshore natural gas complex at Habshan, directly over the giant Bab oil and gas field.

OGD-2 calls for three or four gas processing trains to take 1.15bn cfd of wet gas as well as 1,800 tonnes a day of natural gas liquids (ngl), 30,000 b/d of condensate and over 800 tonnes a day of sulphur. Vapourised sweet gas will be piped to the Taweelah power station.

Engineering, procurement and construction (EPC) bid documents could go out as early as next month. The leading contenders are France's Technip, Italy's Snamprogetti and Japan's Chiyoda with Mitsubishi.

The second "fast track" project, and closely linked to OGD-2, is the $700m on-shore gas-enhancement scheme at Asab, to be completed in two years. Mr Abdul Aziz Al-Housani, manager of business planning at ADNOC's processing directorate, says the Asab development will process nearly 825m cfd of associated gas and produce up to 100,000 b/d of condensate for processing at the Ruwais refinery. Gas will also be used as feedstock for Ruwais's industries, and associated gas re-injected into the Asab reservoirs to maintain pressure.

Construction bids are at the technical evaluation stage. As for OGD-2, the leading contenders are Snamprogetti, Technip, and Chiyoda. The contract award is expected within the next two months.

The third of the three "fast track" schemes is the $800m-$1bn programme to process over 500m cfd of gas from the Khuff gas zones in the Umm Shaif and Abu Al Bukoosh regions and pipe it to Taweelah, with some of this, according to official sources outside ADNOC, being piped on to Dubai's Jebel Ali. Front-end engineering and design bids are "imminent" according to industry sources in Abu Dhabi. Leading contenders are the UK's Kvaerner John Brown, the UK office of Bechtel, and Brown & Root of the US.

The first of the two "slower track" programmes which will be complete in three to five years is the $1.5bn joint venture between ADNOC and Copenhagen-based Borealis to build an ethane cracker at Ruwais to produce 600,000 tonnes per annum of polyethylene. Borealis is a joint venture between Norway's Statoil and Finland's Neste Oy.

Abu Dhabi's International Petroleum Investment Company wants to buy out Neste Oy's share in Borealis, which industry analysts say "makes good sense as it would give Abu Dhabi a foothold in the European market to control its own sales."

The $2.5bn expansion and modernisation programme at the Ruwais refinery will be done in three phases over five years. The plan is to double the plant's crude processing capacity from 135,000 b/d and to upgrade it so as to increase production of middle distillates.

The challenge for ADNOC is not lack of funds but synchronising the various elements of the five programmes, so that petrochemical and power plants are not left standing without essential gas for power and feedstock.

Robin Allen

Dubai may buy gas from neighbour

Dubai government officials talk confidently of continuing buoyant economic growth but do not say – at least in public – how these new industries, hotels, and services will be funded or from where the energy will come for the required electricity and feedstock.

Offshore oil production, the mainstay of government revenue, is reported to have declined by a third over the past five years to 270,000 b/d; a lowly level by Gulf standards. To save money, the government has recently sent home 3,000 Omani soldiers, a quarter of the enlisted men in the Dubai army.

In private, senior Dubai officials assume Abu Dhabi will provide gas for the energy requirements. Senior diplomats concur to the extent that Abu Dhabi's ruler and UAE president Sheikh Zayed Bin Sultan Al-Nahyan has "given instructions" for Dubai to receive 800m cubic feet per day of gas. But the timing and the precise quantities have yet to be determined by Abu Dhabi's supreme petroleum council.

Abu Dhabi National Oil Company's plans go no further than providing 500m cfd to the Taweelah power plant. A pipeline to Jebel Ali is not even on the drawing-board. Municipal and government economic department plans have been based on estimates of 5 per cent annual growth in power needs for lighting and cooling alone. According to industry sources, demand for lighting and cooling is growing by more than three times the official estimates of 5 per cent a year.

Last year, a gas re-injection programme at Dubai's Margham on-shore gas and condensate field helped Dubai weather a breakdown in gas supplies from Sharjah on which it depends for all its current needs. But Sharjah's reserves are too small for long-term supplies, without which Dubai cannot invest in new heavy industries.

Other potential long-term suppliers are Iran, which is politically difficult; Oman, whose limited reserves are already committed; or Qatar. Officials there however have indicated that Qatar will not consider supplying gas to Dubai until 2005 at the earliest. Qatar is too busy with its own much larger gas-export projects.

That leaves Abu Dhabi, the nearest and most logical source. The industry consensus in both places is that Abu Dhabi will not let Dubai down. But a lot of technical and financial leg-work needs to be done before Dubai and Abu Dhabi reach agreement on quantities; and, equally important, on pricing. The view in Abu Dhabi is that Dubai should focus on conserving energy, particularly during summer.

US rebuffs Japanese on telecoms

By Michiyo Nakamoto in Tokyo

Plans by Japan's largest telecoms carriers to build up their international businesses have been put on hold by the US, in a move that could increase trade friction in the sector.

The Federal Communications Commission (FCC), the US telecoms authority, has told NTT, Japan's largest carrier, and KDD, the country's largest international operator, that approval for their US business plans has been delayed due to opposition from the US Commerce and State Departments and the US trade representative.

The delay, which has surprised the Japanese carriers, is believed to follow US unhappiness over Tokyo's plans for telecoms deregulation and with the procurement practices of Japanese companies.

NTT, which will be allowed to enter international telecommunications markets within the next few years, was informed by the FCC that a licence to provide telephone and data transmission services, which it had applied for in January, would not be processed immediately, as expected, but would be subject to comments from interested parties, such as the US telecoms industry.

KDD, which had applied for a licence to expand its international resale of leased line services originating in the US and to begin a resale of regular telephone line services in the US, was also informed that the licences would be delayed.

The FCC decision comes as Japanese carriers prepare to beef up international operations in response to growing global competition.

It informed KDD at the end of January that it would win approval to expand its leased line services from the US relatively quickly.

"We are very surprised by the decision, which is extremely regrettable. It is unreasonable not to approve the expansion of a business that we have already started," a KDD official said yesterday.

Although neither company received an explanation from the FCC for the delay, other than to note there was opposition from the relevant US departments, Washington intends to target telecoms as a key trade issue between the two countries.

Last month, as the international community agreed in a landmark World Trade Organisation accord to liberalise telecoms markets, the US complained that Japan should lift curbs on foreign ownership in NTT and KDD, which has been kept at less than 20 per cent.

Lex Comment, Page 16

Plea on Nafta trucking delay

By Nancy Dunne in Washington

Senators from the states on the US-Mexican border are urging President Bill Clinton to resolve remaining obstacles preventing implementation of the long-delayed cross-border trucking provisions of the North American Free Trade Agreement.

At the behest of trucking unions, the US cited safety concerns and delayed the start of cross-border trucking, originally scheduled for December 1995. A second deadline, allowing buses freely to cross the border, was missed last January.

The senators, led by Mr John McCain, chairman of the commerce committee, wrote to the US president to complain about the administration's relative silence on the issue. They warned of "a widespread perception that an entire year was lost while other interests delayed the administration from achieving sustained progress on this issue".

Talks to resolve US safety concerns have been under way in a bilateral land transportation standards committee, which has been negotiating various technical matters in an attempt to open trucking trade. Currently, goods from the US must be unloaded at the border and transferred to Mexican trucks, with the process repeated for products going north.

The economic consequences have been incalculable, said a Mexican embassy official. Costs are higher and border congestion made worse. US-Mexican trucking alliances and fleet investments, which were planned before the impasse, have been put on hold.

Two months ago, the governors of four south-west border states wrote to President Clinton urging action on trucking. The complained that the delay "robs the entire US-Mexico border region of the full economic benefits that Nafta promises". They have yet to hear from the president.

It was believed that the administration would announce a settlement on trucking before the departure from office of former transportation secretary Frederico Peña. That did not happen, and momentum was lost.

However, a new opportunity for political pressure to drive events will arise when the president makes his scheduled visit to Mexico on April 11-12.

Labour party lobbies leading employers over reforms to help low paid

Opposition warned on wage plan

By Robert Taylor, Employment Editor

The main opposition Labour party is being warned by its own experts that a national minimum wage would do little to improve the position of the low paid or reduce inequality unless accompanied by a sweeping reform of in-work benefits and tax cuts for the poor.

The calculation by Dr Holly Sutherland, an economist at Cambridge University, will test the credibility of the leadership's commitment to the policy, which will not have a specific hourly amount attached for about two years. At that time, Labour's proposed Low Pay Commission will report what the figure should be.

She estimates that families on low incomes would receive as little as 3p for every additional 100p/£1 ($1.63) an hour in earnings, because a rise in their pay would be offset under the present system by tax increases and cuts in benefit.

A family with two small children with one wage-earner working a 38-hour week would be only £1.05 a week better off on a minimum wage of £3.75 a week, and £1.73 a week better off if the minimum wage was the Trade Union Congress's figure of £4.30 an hour.

"These figures are devastating and show how little effect a minimum wage would have on improving earnings," said one union leader last night.

Her assessment comes as Mr Ian McCartney, Labour's employment spokesman, is lobbying selected employers, such as Whitbread the brewer, and Northern Foods, which he believes are sympathetic to the plan.

In a bid to counter Conservative claims that the plan would destroy jobs, add to employers' costs and shut many small businesses, Mr McCartney is campaigning for a public pledge of support during the election campaign. He has written to solicit backing for a six-point set of promises.

The final minimum wage plan has been approved by Labour leader Mr Tony Blair this week but the confidential recommendations are not planned for publication. The document argues that the national minimum wage must be seen as part of a wider "welfare to work" strategy involving changes in benefit and a rise in the marginal tax rates for the low paid to close the poverty trap.

The business pledge for which Labour is seeking support promises the minimum wage will "be introduced in a way which promotes the competitiveness of business and ensures fair competition".

In a deliberate move to reassure business on the level of the wage, it says that the "decision on the level of the minimum wage will involve significant representation from members of the business community". They would participate in the Low Pay Commission, it says.

The Labour party hopes that up to 100 companies will sign the pledge; so far, about 30 have done so.

Labour's first Budget, Page 14

Tories restless over poll date

By George Parker and John Kampfner

Mr John Major, the prime minister, was yesterday under pressure from senior colleagues to announce the general election date this week, as the government remained mired in a damaging controversy over abattoir hygiene.

With Conservative MPs increasingly restive, Mr Douglas Hogg, the agriculture minister, was forced to make his second statement to the House of Commons in a week to insist that the UK's meat was safe to eat.

One minister argued the prime minister should hold the election on April 17; others believe he should hold out until May 1 – as expected previously – but dissolve parliament soon to put an end to a seemingly endless series of setbacks.

Mr Hogg was forced to reply to new claims from the opposition Labour party that abattoirs were flouting rules designed to counter the spread of bovine spongiform encephalopathy and that they were breeding grounds for the deadly e.coli organism, which recently caused several deaths in Scotland.

Mr Hogg said he intended to take tough action against offenders. He had told the Meat Hygiene Service – set up in 1995 to police abattoirs – that "in appropriate cases infringement of the rules should result in prosecution", with revocation of licences where necessary.

But his hard line was undermined when the agriculture ministry admitted for the first time that no abattoir had been prosecuted for breaches of hygiena rules since the MHS was set up.

Labour expressed amazement that slaughterhouses had escaped any legal action until now, in spite of repeated warnings over two years that carcases were being infected with faeces, the prime source of e.coli.

Although slaughterhouses have been prosecuted for breaching rules to stop the spread of BSE, none have faced legal action on basic hygiene grounds.

Many Conservatives privately say Mr Hogg would have been sacked for his handling of the BSE crisis and the abattoir standards row were it not for the proximity of the election. The prime minister's office said Mr Major felt Mr Hogg had done his work "extremely effectively in the most difficult of circumstances".

Mr Gavin Strang, Labour's spokesman on agriculture, said Mr Hogg had shown a woeful inability to get to grips with abattoir standards. Mr Paul Tyler, agriculture spokesman for the Liberal Democrats, the second-biggest opposition party, called for a public inquiry.

Manufacture of fast tractor picks up speed

Export demand underpins JCB's $19.5m investment in factory

A farm tractor which is claimed to be the fastest in the world could soon be rolling off the production line at twice its present rate, if plans by J.C. Bamford Excavators, the privately owned engineering group, come to pass.

The Fastrac machine can zip around fields and roads at up to 80kph – at least twice the speed of conventional tractors – though it is likely to spend most of its time at a more sedate pace of about 50kph.

The vehicle's high speed is made possible by a novel suspension system, similar to a car's, which provides a comfortable ride even over bumpy terrain.

JCB is spending £12m ($19.5m) on a new factory at Cheadle in the English Midlands, and by 1999 the facility is expected to double its production of the £50,000 Fastrac machines from last year's 1,380.

The 150-strong workforce for fast tractor production is likely to increase by 20 or 30 during the next few years.

More than half the current Fastrac production is for export.

JCB says the use of its machines on farms can double the productivity of the average tractor driver.

Tasks such as crop spraying could be completed in half the time which is possible using conventional tractors.

The investment in the fast tractors, which were first produced in 1991, is part of a plan by Sir Anthony Bamford, chairman and managing director of the company, to increase sales of the JCB group from about £750m last year to close to £1bn by 2000.

Most of the expansion would come from increases in sales of the company's back-hoe loaders and related construction machinery, for which it has become best known.

JCB is the core manufacturing company of a group of interrelated businesses owned by Transmissions and Engineering Services Netherlands. This is a Dutch-based holding company in which Sir Anthony and his family are the shareholders.

The JCB group's total sales have more than doubled since 1992, with much of the expansion coming from exports.

Sir Anthony promised "more of the same", with a continuation of the policy of spending heavily on new product development – an area in which JCB has invested some £100m since 1990.

Tractors which use novel suspension systems to allow them to travel at high speed are among the fastest growing areas of the tractor industry.

Other tractor companies which make such vehicles include Germany's Fendt, owned by Agco of the US, and Deutz, also of Germany and part of the Italian Same group.

However, according to JCB, neither of these companies' vehicles can reach the top speed of Fastrac.

Peter Marsh

Ashley Ashwood

Sir Anthony Bamford: pledges to continue spending heavily on new product development

Biotech sector shows strong growth

By Daniel Green in London

The growth of the UK's biotechnology industry will be underlined today by a report that shows the number of companies in the sector looking for new drugs has more than doubled in the past two years.

Employment in the sector has also doubled, but the numbers are too low to have had a significant impact on unemployment, according to a report from Arthur Andersen, the accountant and management consultant.

However, tha study warns the aector's continued growth depends on finding an additional £1bn ($1.63bn) of funding in the next two years. The industry also faces uncertainty over European Union patent laws for biotechnology, which are under review.

The report says there were 221 UK biotech companies employing 10,590 people in 1996. Their total revenue was £700m. This includes those in agricultural biotech, drug discovery and diagnostics, as well as suppliers.

The figures for the overall industry are up by about one third from 1994 and should grow another third by the end of 1998. Drug researchers are the biggest group, with 78 companies employing 4,870 people. They "can match those in the US biotech sector", says the report. By market value, the five biggest UK companies match some of those in the US top 20; the five next largest match some in the US top 50.

The biggest UK companies are British Biotech, Celltech and Chiroscience. They raised £1.1bn from investors in the 18 months to December 1996. Arthur Andersen suggests this will have to be repeated over the next two years to pay for research and development and "strategic acquisitions".

The report says the sector should not be seen as likely to generate many new jobs, but as offering "greater wealth creation potential as a means of enhancing competitiveness across a wide range of industries".

The growth is the result of several factors:

● Easier access to capital through venture capital funds, changes in stock exchange listing rules, the creation of the Alternative Investment Market and Easdaq, the European market run in the same way as Nasdaq, the US computerised exchange.

● Greater government commitment to biotechnology through grants and awareness-raising programmes.

● Better links between academic and commercial science.

● Outsourcing of research by drugs companies.

● The creation of the European Medicines Evaluation Agency, which approves drugs for the EU.

Biotech companies not involved in drug development graw more slowly between 1994 and 1996. In agricultural biotech, the number of companies rose 41 per cent and in diagnostics 25 per cent. The number of suppliers fell 9 per cent.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 13.03.97: Pool purchase price £/MWh	Final Prices for Trading on 10.03.97: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.37	11.68	12.92
0100	15.37	11.68	12.92
0130	35.69	25.97	27.21
0200	35.69	25.97	27.21
0230	18.20	25.97	27.21
0300	18.20	25.97	27.21
0330	18.20	25.97	27.21
0400	35.69	11.68	12.92
0430	35.69	11.68	12.92
0500	12.35	11.68	12.92
0530	11.85	11.68	12.92
0600	11.79	11.68	12.92
0630	11.70	11.68	12.92
0700	11.69	14.68	15.92
0730	28.79	29.13	30.37
0800	28.79	38.35	39.59
0830	25.72	27.27	35.50
0900	37.96	35.22	36.46
0930	32.89	35.22	36.46
1000	37.98	51.37	52.61
1030	37.98	51.37	52.61
1100	55.64	35.22	36.46
1130	55.64	32.59	33.83
1200	32.89	38.36	39.60
1230	32.89	38.36	39.60
1300	32.89	35.22	36.46
1330	32.88	35.22	36.46
1400	25.27	29.68	30.92
1430	21.79	29.68	30.92
1500	21.79	29.68	30.92
1530	21.79	29.68	30.92
1600	21.79	32.29	33.53
1630	21.78	35.26	36.51
1700	28.27	35.58	36.96
1730	25.51	49.86	51.05
1800	43.61	49.70	51.21
1830	40.25	48.43	50.86
1900	52.77	46.09	47.41
1930	52.72	39.80	41.07
2000	51.81	38.23	39.47
2030	43.57	35.22	36.46
2100	26.27	27.89	29.13
2130	26.27	33.26	34.50
2200	26.27	20.09	21.33
2230	19.87	26.35	27.59
2300	19.79	11.68	12.92
2330	19.87	11.68	12.92
2400	11.80	11.68	12.92

Tri-national frigate project in jeopardy

By Bernard Gray, Defence Correspondent

Sir Robert Walmsley, Britain's chief of defence procurement, has written to his French and Italian counterparts, saying that the £7bn ($11.4bn) Horizon air defence frigate programme must be radically reformed if it is to survive.

The tri-national frigate project is in deep trouble, with Britain unable to agree with its Italian and French partners upon the capabilities and cost of the ship.

Officials say that a breakthrough is needed soon if the project is not to collapse. Sir Robert has written to the other nations warning of the dangers of the deadlock.

Britain is producing contingency plans to adapt the design of its 3,500 tonne Type-23 anti-submarine frigates to meet the needs of the much larger 6,000-tonne Horizon air defence ship.

The UK is also looking at licensed production of the 8,500-tonne US Arleigh Burke destroyer for missile defence of convoys.

The Horizon programme is already four years behind schedule, and the UK needs 12 of the frigates from 2004 to replace its Type 42 destroyers built in the 1970s. If the difficulties are not resolved soon, the UK will have to develop an alternative ship.

France wants four such frigates to protect its new nuclear aircraft carrier, the Charles de Gaulle, due in service in 1999, and Italy wants six patrol frigates.

France and Italy would settle for a cheaper, less capable frigate, while the UK is insisting on a ship which could defend a wide area.

The project is complicated further because the ship's missile and radar system is being developed by a separate office to the ship's hull and command system, with co-ordination between the two said to be erratic.

Britain also wants the ship to be procured by competition, while the French and Italians favour traditional work-share arrangements.

The UK's Ministry of Defence said yesterday it was committed to the Horizon programme under the agreements that it had already signed. However, it admitted that there were problems.

The department said Sir Robert was in regular contact with the French and Italian ministries but that it would be inappropriate to comment further.

Horizon was led by Sir Robert when he was controller of the navy, before he was promoted to chief of defence procurement.

Tory trouper prepares to withdraw from N Ireland

After five years in one of the most thankless jobs in British politics, Sir Patrick Mayhew is to retire as an MP

Sir Patrick Mayhew, a classic exponent of a dying breed of Conservatism, bowed out of frontline politics yesterday with the final Anglo-Irish summit before the general election.

The intergovernmental conference in Dublin marked the last set-piece event in Sir Patrick's five years as Northern Ireland secretary – arguably the most thankless job in UK politics.

Sir Patrick announced last year he would stand down as an MP at the election. Whether or not his party wins, his like will seem even more out of place on what may be the increasingly ideological Tory benches of the next parliament.

Friend and foe alike consider his record mixed, seeing him as a victim of the peace process as much as one of its driving forces.

An ardent pro-European and "one nationer", Sir Patrick has been the object of a whispering campaign by others in the cabinet. He was incensed by a story planted in a newspaper a year ago suggesting he wanted to stand down immediately.

The truth was that some colleagues wanted him out, fearing he would make "one concession too far" to Sinn Féin, the political wing of the Irish Republican Army, in an effort to persuade the group to restore its ceasefire.

His problem – perhaps one that goes with the job – is that he has managed to infuriate just about every interest group connected with Northern Ireland. Although Mr John Major, the prime minister, has been heavily involved in issues relating to the province, Sir Patrick usually took the flak during crises.

It was he who, shortly after the IRA ceasefire of August 1994, devised the so-called three Washington principles, making a physical handover of weapons a precondition for Sinn Féin's entry into talks on the future of the province. These were seen by some as an unnecessary snub to the republicans. He was similarly accused of betrayal by the pro-British unionists for agreeing with Dublin joint framework documents which enshrined a limited role for the Irish Republic in the affairs of the north.

That affair increased tension in the cabinet with Mr Michael Howard, the home secretary, and Lord Cranborne, leader of the Lords. Both are closely allied to powerful unionist lobbies.

Sir Patrick has often been hamstrung by his cabinet colleagues and was particularly galled by Mr Howard's refusal to transfer republican prisoners from England to Northern Ireland. Cabinet rightwingers also persuaded Mr Major, against Sir Patrick's wishes, not to endorse the main recommendations of a committee under former US senator Mr George Mitchell which would have allowed the peace process to get round the arms problem.

The nadir in Sir Petrick's recent fortunes, and those of Northern Ireland, came last July with the fiasco of Drumcree. Sir Patrick had to answer for the sudden U-turn of the police in allowing Protestant marchers to parade past a Catholic estate – which led to weeks of rioting and devastated community relations.

That affair increased suspicions among nationalists that, with the government's parliamentary majority disintegrating, ministers were more keen to keep the nine Ulster Unionist MPs loyal than to, in Mr Major's own words, "take risks for peace". Cabinet hardliners saw the resumption of IRA bombings last year as a vindication of their line.

Once again, the sides have withdrawn into thair bunkers and the peace process has been put on hold until after the election. Mr Mitchell returned to the US last week after eight months' fruitless effort at the helm of the multi-party talks. Sir Patrick has sometimes seemed to have the air of a man who is demob happy.

Dublin, which took some time to get used to his clipped upper class accent and mannerisms, is effusive in its personal praise. "His dedication and integrity have been steadfast," said an official. "History will look kindly on his contribution."

Labour has been "constructively critical" of Sir Patrick. "He has demonstrated outstanding patience and determination and managed to keep the peace process on the Westminster agenda," said Ms Marjorie Mowlam, his opposition counterpart and most likely successor if Labour wins the election. "But everyone should take responsibility for the failure to take it forward."

John Kampfner

UK NEWS DIGEST

Kvaerner loses $326m order

VSEL, the Barrow shipyard in north-west England owned by the General Electric Company, has beaten Kvaerner Govan on the Clyde, near Glasgow, to a £200m ($336m) order for two Royal Navy oil tankers, leaving Kvaerner facing heavy redundancies and possible closure within a year.

The decision was taken at a small cabinet committee meeting late on Monday chaired by Mr John Major, the prime minister, with Mr Michael Forsyth, the chief Scottish minister arguing strongly that the work should go to Kvaerner, and Mr Michael Portillo, the chief defence minister, supporting Barrow. Mr Major eventually backed Mr Portillo.

The MoD said the contract had been awarded on value for money grounds, but Mr Ian Davidson, the opposition party Labour MP for Govan, last night accused VSEL of unfair competition. The decision is a heavy blow for Kvaerner Govan, which is working on only two ships. Mr Sigbjorn Ellingsen, managing director at Govan, said the loss of the contract was a "severe blow" to the yard and to its workforce. He said the yard was trying to win new contracts worldwide, but the task was not helped by the strength of sterling. Notice was served in December of 500 redundancies in the 1,200 strong workforce, and Mr Ellingsen said yesterday he expected them to come into force in May and June. *Bernard Gray and James Buxton*

■ POWER STATIONS

US company seeks go-ahead

American-owned AES Electric has applied to the Department of Trade and Industry for planning consent to build its third UK power station, on derelict industrial land on the edge of Newcastle in north-east England.

If given the go-ahead, the proposed £100m ($163m), 350MW gas-fired combined cycle power station will be the first major power station built in the area since the 1950s. It would employ about 40 people. The site would be near 80ha of derelict land earmarked for a 6,500-job industrial redevelopment project by government-funded regeneration agency English Partnerships. AES Electric, a subsidiary of AES Corporation, already operates a power station on the river Medway in Kent and is building AES Barry near Cardiff, in south Wales. *Chris Tighe*

■ MONETARY UNION

Governor would not bet on delay

Mr Eddie George, governor of the Bank of England, the UK central bank, last night warned against betting on a delay in monetary union.

At a bankers' dinner in Liverpool, in north-west England, he said: "I would not at this stage care to put much money on the outcome – central bankers are a naturally cautious breed. But the prudent planning assumption is that monetary union probably will go ahead." He said countries should not be admitted to Emu unless they achieved sustainable convergence but he acknowledged that "at the end of the day it is a political process – and no one should underestimate the political determination on the Continent to proceed according to the Treaty timetable".

He reiterated the Bank's preference for a 0.25 percentage point rates rise, from 6 per cent. *Wolfgang Münchau*

■ INDUSTRIAL ECONOMY

Data suggest slow expansion

Britain's industrial economy remains locked in a phase of slow expansion, according to data from the Office for National Statistics, which showed an unchanged monthly rate of industrial production during January.

Industrial production was 2.4 per cent higher on an annual basis compared with 1.7 per cent in December. Manufacturing output, generally considered a better indicator of underlying trends in the economy, went up by 0.3 per cent during January, making for an annual increase of 1.8 per cent. The three-month moving average trend in manufacturing output suggests a slowdown in growth since September, mainly the result of the appreciation of sterling against other currencies. *Wolfgang Münchau*

■ DUTY-FREE REGULATIONS

Abolition 'would cut revenue'

The abolition of duty-free regulations in 1999 would reduce revenues to the UK exchequer, according to a report by National Economic Research Associates.

The report estimates that the profits of UK retailers and manufacturers of goods sold duty-free would fall by £280m ($456.4m) and £65m respectively and that 1,600 jobs could be lost. Lord Rees, the chairman of the Duty-Free Confederation, which represents companies in the duty-free and tax-free industry, said: "We believe the study makes a compelling case which will enable politicians of all parties and the European Commission to see the value of keeping duty-free and tax-free shopping."

The report forecasts that annual duty and VAT receipts will fall from £550m to £120m. *Michael Peel*

■ INCOMES FORECAST

Skilled 'set to earn more'

Falling unemployment and growing skill shortages will soon start to drive up pay awards, according to Incomes Data Services, the pay research body. It said unemployment was now dropping towards 2 per cent in several areas of the UK –levels not seen since the late 1960s.

Although shortages were already pushing up awards for information technology specialists, IDS said the tightening labour market had yet to exert widespread pressures on pay. IDS said one restraining factor was that the finance sector, which in the last boom led the way in poaching staff and bidding up salaries, was still shedding jobs through technological change as well as mergers and takeovers. *Andrew Bolger*

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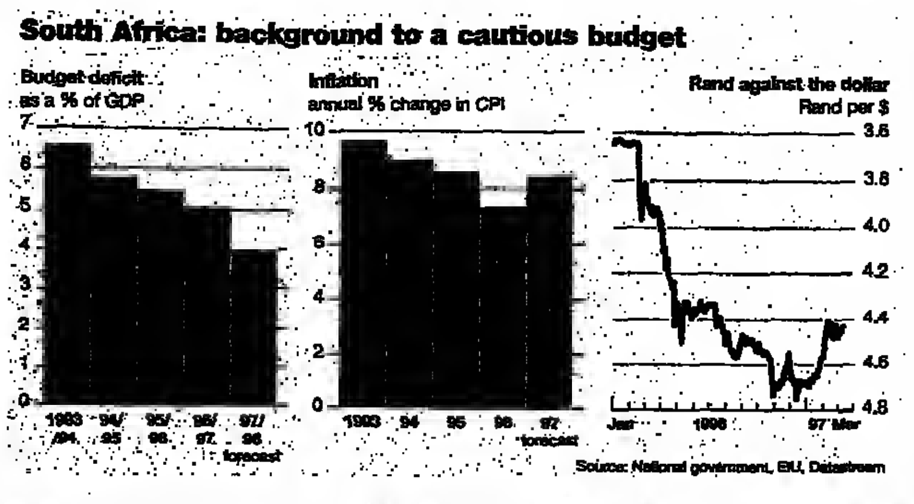
Tough budget recognises demands imposed by a return to world economy

S Africa relaxes forex curbs

By Roger Matthews in Cape Town



The South African government yesterday announced a further modest relaxation of foreign exchange controls in a budget described by Mr Trevor Manuel, the finance minister, as evidence of its determination to achieve greater social justice while living within its means.

From July 1, South Africans will be able to invest an unspecified proportion of their capital overseas, or to hold foreign currency in domestic banks. South African companies will also find it easier to invest abroad and to raise foreign loans.

The announcement disappointed business leaders and economists who wanted the immediate abolition of all exchange controls, hnt it offers the first opportunity for the government to gauge the potential demand hy individnal South Africans for foreign currency. "It is a way of testing the water," an official said.

Mr Manuel stated at a pre-budget briefing that he expected the initial allowance to be modest. "I do not expect there to be a big aurge of capital out of the country after July 1," he declared.

Traval allowances for individuals have also been raised while companies will be ahle to transfer up to R30m ($6.8m) to fund new projects in approved countries, and to raisa foreign loans on the strength of their balance sheets rather than on assets held overseas.

Investments of up to R50m will be permitted in members of the Southern African Devalopmant Community, the economic gronping of southern African states.

The government's recognition of the demands imposed hy rejoining the world economy were also reflected in its commitment to fiscal discipline.

Mr Manuel, the first member of the ruling African National Congress to hold the finance portfolio, said the current budget deficit target of 5.1 per cent of gross domestic product had been mat, to be further cnt to R24.4bn, or 4 per cent of GDP, in the financial year beginning on April 1.

Spending is fixed at R186.7bn, an increase of 6.1 per cent, while Mr Manuel expects an inflation rate of 8.5 per cent. "This is a tough hudget," he said. "It demands substantially more austerity from government than many of its forerunners, yet it does not sacrifice the fundamental objective of transformation."

But even with this reduction in tha deficit, Mr Manuel said 24 cents from every rand collected went on servicing government debt, "a situation that is both untenable and unsustainahle".

Several government departments will have their allocations cut in real terms, especially defence, bnt there are significant increases for bousing, and for the police service struggling to contain the surge in crime.

There is also tax relief for the poorest and lower-middle wage earners, and some compensation from tbe impact of inflation through raising thresholds. Mr Mannel held value-added tax at 14 per cent, but predictably imposed stiff riaes on tohacco and alcohol taxes, and raised the cost of company fringe benefits.

Foreign exchange markets reacted favourably, the rand strengthening to cloae at R4.42 against the dollar in Johannesburg. Mr Raymond Parsons, president of the Sonth African chamber of busineas, said be was pleased by the easing of foreign exchange curbs, but disappointed hy absence of greater commitment to privatisation, on whicb Mr Mannel said nothing new.

No proceeds from privatisation have been included in next year's revenue forecasts, but some benefits are likely to accrue from the impending sale of 30 per cent in Telkom, the monoply supplier of fixed-line services.

Shadow over global accounts code plan

By Jim Kelly, Accountancy Correspondent

Mr Dennis Bereaford, chairman of the US accounting standards board, has played down expectations that world stock market regulators will he ahle to endorse a common global financial reporting code early next year.

While the Securities and Exchange Commission will cast the US vote on endorsing the standards – heing written by the International Accounting Standards Committee – Mr Beresford'a views will carry significant weight.

His comments increase the chances that tbe project might be postponed to later in 1998 or that a switch will be agreed whereby the committee'a atandards are offered for endorsement on a piecemeal basis.

Sir Bryan Carsberg, secretary general of the committee, has repeatedly said the core standards project can still make the deadline and that be is confident they will compare with the US code in quality.

But in a series of pointed remarks about the ambitions of the committee, Mr Beresford said tha deadline for agreeing a set of core standards was "unrealistic".

He said progress towards global harmonisation would be incremental. "It's kind of a carrot that'a beld out in front of the committee, and perhaps others as well, but they don't ever get any closer."

But his remarks will be seen by some as an indication that the US standard setter – a supporter of global barmonisation – sees the pivotal role being played by the committee as a threat to its own pre-eminent position in global financial reporting.

The committee has been charged with coming up with a set of core standards by IOSCO – the club of leading stock market regulators – which if endorsed would be avallable to companies seeking foreign listings. The agreement of US regulators ia fundamental to the success of tbe project.

Although Mr Beresford recognised that the SEC was under political and commercial pressure from stock markets to accept the standarda and encouraga new foreign listings, he was "convinced" it would primarily seek to protect shareholders.

He said the SEC would have to consider the repercussions of endorsement for US companies. "If Daimler-Benz and Toyota can file under international standards in New York wby shouldn't General Motors or Ford be ahle to do the same thing – particularly if they perceive that the standards are more flexihle and give more latitude?"

He aaid that Sir Bryan had been wrong to imply that the support of the SEC for its core standards project was "a done deal". He said significant problems remained with the core standards and the due process of the committee. Sir Bryan has repeatedly defended the quality of the committee's atandards.

Mr Beresford, chairman of the Finaocial Accounting Standards Board, was also sceptical about claims that the harmonisation project would make national bodies such as the US board redundant. He said Sir Bryan's project relied on others to do the work.

"Who would they copy?" he asked.

Moroccans take heed of Algerian war

Roula Khalaf on concern over the rise of Islamist movements

Morocco's recent crackdown on Islamist students has renewed concern about the rise of political Islam in a country neighbouring Algeria, where Islamists and security forces have heen locked in a bloody struggle for more than five years.

Yet in Morocco, Islamists and government prefer to view the crackdown as a slip – rather than a breakdown – of their complex relationship. If the war in Algeria is on everyone's mind, it is because it offers terrifying but valuable lessons to be learned.

While Morocco's Islamists profess tbeir adherence to non-violent struggle and say they are in no rush to play a significant political role, King Hassan has chosen to deal with them through a combination of tolerance and selective repression.

Islamists point out that leaders of al Adl wal Ihsan (Justice and Spirituality), the largest and more radical of tbe two main Islamist movementa, were not arrested in the recent crackdown, although atudants rounded up belonged to the organisation.

Morocco'a Islamista believe that political Islam in Algeria, personified by tha Islamic Salvation Front (FIS), failed to attain its goal because it sought to destroy the regime and made clear that the rulers would pay for oppressing the population. The FIS's appeal led it to overestimate its strength and underestimate the resilience of the system it fought.

After the FIS won the first round of legislative elections in 1991, the Algerian army stepped in to cancel the poll.

In Morocco, Islamists are aware of the power of King Hassan and know that the time is not ripe to upset the country's delicata political balance.

"If all Islamista joined together and were allowed to compete in elections, we might win," says one Islamist leader. "But what would be the point, the government would cancel the elections."

Morocco's Islamists use whatever opening the king allows to spread their message for a return to Islamic values. Although Sheikh Ahdelsalam Yassin, the leader of Justice and Spirituality, is under house arrest, he is allowed to pnblish his books on Islam. Tapes and video cassettes of his teachings are also distrihuted hy his supporters.

Other Islamist organisations have newspapers and are allowed to work on "Islamising" society – with some success. However, the government tempers their political strength hy preventing tbem preaching in mosques or holding large public meetings.

King Hassan bas chosen the middle ground in dealing with Islamists. As Algeria ahows, severe represalon risks radicalisation, especially when political and social problems abound.

Meanwhile, the Algerian experience of 1991 suggests that total tolerance of Islamist movements in a sometimes spiritually disoriented, and economically and politically deprived society would see mass support for the movements.

Justice and Spirituality is seeking acceptance as a political party, a move the government is not ready to consider. However, tbe Movement for Unification and Reform, created last year by the merger of two more moderate associations, has heen allowed to take over a small existing party. Many suspect the government is happy to promote Unification as a rival to Justice and Spirituality.

But the delicate relationship between government and Islamists can hecome increasingly complicated.

As Islamists slowly filter their ideas into Moroccan society and expand tbeir support, King Hassan faces the challenge of pushing forward both political and economic reforms to alleviate inequalities and allow other parties enough room to take up the cause of the masses.

> 'In this country there is no change. There is only evolution'

His dilemma, however, is that a real opening of the political system will require a greater acceptance of the political role of Islamists, including that of Justice and Spirituality.

The crackdown on Islamist students came as the king and the secular opposition were enjoying a period of entente, which is why few voices were raised to denounce the students' repression, which started in Casablanca in January then spread to univarsities in other towns. The king has promised fair and free local and legislative elections this year – the country's first tranaparent poll – in an attempt to reform the political system and create strong institutiona to manage the country while keeping the monarchy as the ultimate arbiter.

Mr Fathallah Arsalan, spokesman for Justice and Spirituality, says the entente between the king and the opposition is proof that Moroccan politics still leaves no room for real opposition. For other Islamists, however, it is simply a sign of the way Morocco works – and the way they ahould operate. "In this country, there is no change. There is only evolution," says Mr Abdelilah Benkiran of Unification and Reform.

TECHNOLOGY

A ceramic plunger can help reduce oil extraction costs, says **Andrew Baxter**

Pigs swallow drilling costs

It looks like a length of ordinary steel tube. But what is that mysterious bulge running through it rapidly, stripping off the external paint and expanding the diameter by 20-30 per cent as it goes?

The bulge is a "pig," not of the mammalian variety but a ceramic plunger that is being pushed through the tube at as much as 100ft (30m) a minute. It is the latest idea from researchers at Shell International Exploration and Production (SIEP) for reducing the cost of drilling for oil.

The profile of a traditional well looks a bit like an elongated telescope. Typically, drilling stops every few hundred metres so that a batch of steel casings jointed together to form a "string" can be inserted and cement pumped into the gap between the string and the hole wall.

Obviously, the next casing string has to fit through the previous one. So drilling might start with a hole 26in wide, yet the final production tubing might have a diameter of just 3½in.

But what if the casing were expandable, and was also available in reeled form, avoiding the need to joint hundreds of 10m-12m long sections together? You could then start with a 10in top hole, says Bruce Stewart, principal research engineer at SIEP's Rijswijk R&D centre in the Netherlands. The amount of material to be excavated would be reduced by 75 per cent, he says, sharply reducing the cost of existing drilling jobs and making old reserves more economically viable – an important priority for the oil industry.

A critical, and so far secret, element in the pig's design is "angle alpha"

There would also be environmental benefits, as fewer rock cuttings would have to be disposed of, while less mud would have to be pumped down the hole to lubricate the drillbit and carry the cuttings away. "It's not pie in the sky to imagine running a 4in tube into a well, expanding it to 5in and then running a 4in tube through the expanded section to continue downwards. This would lead to well designs with only one hole diameter and one casing size from top to bottom," says Stewart. "It could come about."

Shell experimented with expanding solid steel tubes in the late 1980s, but used ordinary oilfield tubulars, which lacked the ductility to survive being stretched without bursting. In January last year, encouraged by work on expanding slotted tubes, it decided to have another try.

This time, though, it asked steelmakers mainly in France and Japan to supply tubes that have both high tensile strength and ductility. Fortunately, this is exactly what the auto industry wants too, says Stewart, and expensive or special steels are not necessary.

Shell began by looking at pushing steel pigs through the tubes, but the two steels tended to weld together. It then turned to hard-wearing ceramics used in industries such as cold forging. Its latest pigs are made of solid blocks of zirconium oxide, a specialist ceramic material, built around a steel base.

The pig would be propelled through the tubes either mechanically or by pumps on the rig. As the tubes' diameter expands, the steel gets thinner, but its resistance to bursting rises because it is a "work-hardening" grade. A critical, and so far secret, element in the pig's design is "angle alpha" – the slant on the side of the pig that pushes the steel tube outwards.

SIEP has already filed patents on the process, and there is strong pressure to get it into the field in the next few months, says Stewart. So far, the widest tube expanded had a diameter of 4in, or 5in after the pig was pushed through, but the tubes and the pigs could be wider, says Stewart: "Although the forces would be higher, the pressures to pump the pig would be less."

In the field, the process would be impractical, if not impossible, unless the steel tubes could be run off a reel on the drilling rig or drill ship. Fortunately, over tha past five years, coiled tube drilling has been introdnced widely into oil exploration – Shell alone has about 100 such operations worldwide.

Drilling with small-diameter continuous tubing can save operators a great deal of time and transform the economics of exploiting small or difficult to reacb fields, or those getting towards the end of their life. Although large reels pose some logistical problems, they take up much less space on the rig than all the conventional equipment for lifting and inserting pipe sections into the hole. And the propertles needed to coil tube without bursting it are mucb the sama as those whicb make it expandable.

At present, though, the widest diameter tubing that can be coiled is 4½in, says Taco Hoekstra, Seip's research engineer for reeled systems technology. Coiled tuhing like that has already been used for production tubing, but it is not yet possible to coil tubing for casing the hole, although Shell is working with the steel industry on this.

Ultimately, Shell believes, there could be a further twist – dropping steel tubes altogether for apecific applications. It has been exploring the feasibility of drilling a mono-diameter hole and using tubes of a lightweight composite material made of glass fibres in an epoxy-resin matrix. These could be spooled onto much smaller reels, which is important for land transportation.

Tho tubes, which could be as long as 2km, would be lowered into the hole in collapsed form and then injected with a pressurised fluid, expanding them to a diameter of as much as 13in. An electric current would then be passed through, generating heat to cure the tubes.

Testing is still in its early stages, however, and Shell says the process in its present incarnation would not be suitable for all wells. The composite tubing cannot be lowered into highly deviated holes, and the resin used in the composite material degrades at temperatures of 100°C or higher. The price of the composites is also a stumbling block, making it initially attractive only for some niche applications.

The new approach: expanding the choices

Fast forward to model stage

A new approach to rapid prototyping – which enables product developers to build solid models quickly from their on-screen designs – has been developed by Kira of Japan.

The process uses proven laser printing technology to coovert automatically a computer model of a component into a solid model, using sheets of ordinary paper.

The Kira machine resembles a very large computer-controlled photocopier. It uses standard A3-size photocopier quality paper. As with a photocopier, it takes one sheet at a time and applies toner to a selected area of the paper. This corresponds to one particular cross-section or layer of the model being built.

Instead of appearing in the outlet tray, the sheet is then assembled on top of others to create the solid model. The sheets are pressed together at a temperature which melts the toner's resin powder, effectively glueing the sheets of paper together.

Once each sheet has been pressed onto the block, a tiny blade cuts around the contour of the area covered by the toner. It also makes additional cuts to help the designer separate the completed model from the excess paper around it.

The resulting model has the consistency of wood and can be used as a pattern to generate additional samples in plastic or metal materials.

The most widely used RP technology was developed in the late 1980s by 3D Systems of the US. Its process uses a laser selectively to harden layers of liquid resin.

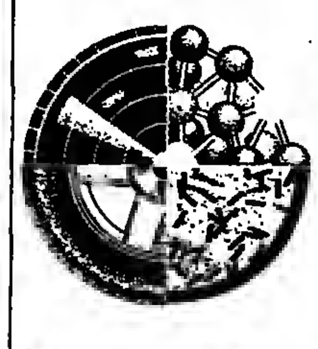
But Kira says its equipment, which is being marketed in the UK at just under £100,000, costs less than half that of the laser/resin method, and is more suited to an office environment.

So far, it has been used only in Japan, for modelling products ranging from cameras to palmtop computers and car components.

Anna Kochan

Worth Watching

Vanessa Houlder



Micro makers copy from nature

The scope for making microcomponents on a minnte scale is limited when using conventional techniques such as photolithography. So scientists are trying to mimic the molecular self-assembly techniques used in nature.

Scientists at Harvard University in the US have moved a step in this direction by showing that millimetre-scale plastic components can assemble themselves, according to a report in today's Nature magazine.

They applied a thin film to the surfaces of the components that made parts of them repulsive to water. Once in water, these surfaces stuck to other water-repulsive surfaces with a complementary shape. The components that assembled themselves in this way could be "glued" by using a light-sensitive polymerisable adhesive as the film and finally subjecting it to ultraviolet radiation.

The shapes made in this way included small "donghnnts", "footballs" and tetrahedron-like structures. The researchars believe the same techniques could be used to make even smaller structures.

Harvard University: US, tel 6174959430; fax 6174959857.

Structure of fungi discovery

Fungal diseases are an increasing problem, not least because they have become more and more resistant to common drugs. But scientists in the US have made a discovery about the structure of certain fungi which might open up new treatments.

Researchers at the University of Georgia and Purdue University have shown that fungi with long, threadlike filaments contain "scaffold" proteins called septins. In at least one fungus, the gene controlling production of septins is crucial to its survival.

The scientists believe the septins play an important role in cell wall assembly, making them a potentially suitable target for drugs. Because human cells do not have walls, drugs that interfere with cell wall synthesis are less likely to be toxic to humans.

University of Georgia: US, tel 7065422014; fax 7065421805.

Keeping light aircraft apart

The danger of mid-air collisions between light aircraft could be reduced by a low-cost warning system that has just undergone initial flight trials.

The system works by detecting another aircraft's strobe lights and warning the pilot. It comprises 12 solar cell detectors fitted to the wings and tail, and a cockpit processing and display unit. It can detect other light aircraft within a range of at least 1km. The prototype was designed and is being evaluated by Smith System Engineering, a UK consulting firm, under contract to the UK Civil Aviation Authority.

Smith System Engineering: UK, tel (0)1483 44200; fax (0)1483 442144.

Translate at the touch of a pen

The IRISPen is a pen-sized scanner that can recognise text, barcodes and handwritten numerals. A new version that can offer two-way translations, via a PC, between English and French and English and German is about to be launched by Iris, the Belgian company that devised the product. This device, which will also be able to translate Japanese text into English, will cost about BFr15,000 (£264).

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Economic Viewpoint · Samuel Brittan

Labour's first Budget

If Gordon Brown is the next chancellor, he should concentrate on his employment package and abandon visions of fiscal austerity

If Labour wins the next election one of its first actions will be to introduce a new "welfare to work" budget in the early summer. This will contain the much debated windfall tax on the profits of public utilities, part of which will finance a special jobs package.

Goldman Sachs, the investment bank, has suggested the windfall levy might yield some £2.5bn in each of the next two financial years and the employment measures might cost an average of £1bn. But what else will Gordon Brown, the shadow chancellor, have in mind?

He has committed himself not to raise income tax or extend value added tax to various popular items. But he cannot make a similar "blanket commitment on each and every one of more than 200 reliefs".

At the simplest, Mr Brown could use the modest net revenue his measures would bring to reduce the budget deficit slightly. Alternatively he could make a start on some of Labour's tax-reducing plans, such as the introduction of a 10p lower band. (This is an ineffective way of helping poorer taxpayers – he would do better to concentrate on reducing the rates at which benefits paid to people in work taper as their income rises.)

But before he can decide on the detail he will have an overall judgment to make. Should he tighten fiscal policy by tax changes which raise substantially more revenue; or should he content himself with either a neutral budget or the very slight tightening implicit in his minimum package?

Several arguments are given for tightening the fiscal stance. Much the worst in my view relates to the so-called policy mix – that an increase in the tax-take is needed to reduce the growth of consumer spending. At the same time it would reduce the likelihood and size of any interest rate increase. Thus the balance of the recovery would be shifted from consumption to investment and exports.

This is highly dubious. The restrictive effects on consumer spending of any likely tightening of fiscal policy may be very disappointing. Time and again governments have been taken aback by the failure of tax-raising packages to restrain demand.

The supposed boost to exports depends on the effects of a tight Budget in holding down interest rates and thereby putting a dampener on sterling. A little eyebrow-raising is in order.

Most economists were brought up to believe that a tight budget *strengthens* the exchange rate, if only by increasing overseas confidence. The fashion has now changed and mainstream economists argue it will weaken the exchange rate by allowing interest rates to be lower. Both effects are possible; and indeed one may follow the other in unpredictable order. Neither is a good basis for policy.

Another argument for tightening is the much-trumpeted long-term need to increase national savings by reducing government borrowing. The result cannot be taken for granted as private savings can fall to offset reduced government borrowing. The National Institute for Economic and Social Research (NIESR) is publishing a a paper on this subject, *Britain's Fiscal Problems*, on March 17. The authors calculate that if the fiscal tightening is viewed as a national investment, the net real return would be 3.85 per cent per annum – only slightly higher than the return on indexed gilts.

The most plausible argument for tightening the fiscal stance is the need for sound public finances. Excessive government borrowing means a growing burden of interest payments on the national debt, which will penalise tomorrow's taxpayers at the expense of today's. If carried to extremes, a debt trap is reached in which the interest burden shoots up indefinitely to pay for past borrowing. However, there is little evidence that the UK is anywhere near such a trap, despite the belief of some senior government advisers that recent "tax cuts" were unwise and that policy should be tightened.

There are at least four alternative criteria for long-term stability in the public finances. One is Labour's preferred rule that government borrowing should cover only public capital expenditure. Second, there is the well-established objective of stabilising the ratio of debt to gross domestic product. Third, there is the EU Stability Pact for the single currency which requires a *normal* deficit not exceeding 1 per cent of GDP.

Finally there is the suggested rule of maintaining the net value of the public sector balance sheet. The first three of these rules leads to a public sector borrowing requirement (PSBR) of 1 per cent of GDP in a normal year. The fourth probably points to zero.

The present government's spending limits are indeed meant to enable the PSBR to come down from 3½ per cent of GDP in 1996-97 to below 1 per cent in 1999-2000 – little more than two years from now. The fiscal puritans believe the pace of improvement is not fast enough or that the present public expenditure path, which Labour has promised to maintain, is not credible.

But, contrary to some earlier fears, the deficit for 1996-97 is coming in below the official projection. And despite numerous alarms, the spending limits set by Mr Kenneth Clarke, the chancellor, have been observed in recent years.

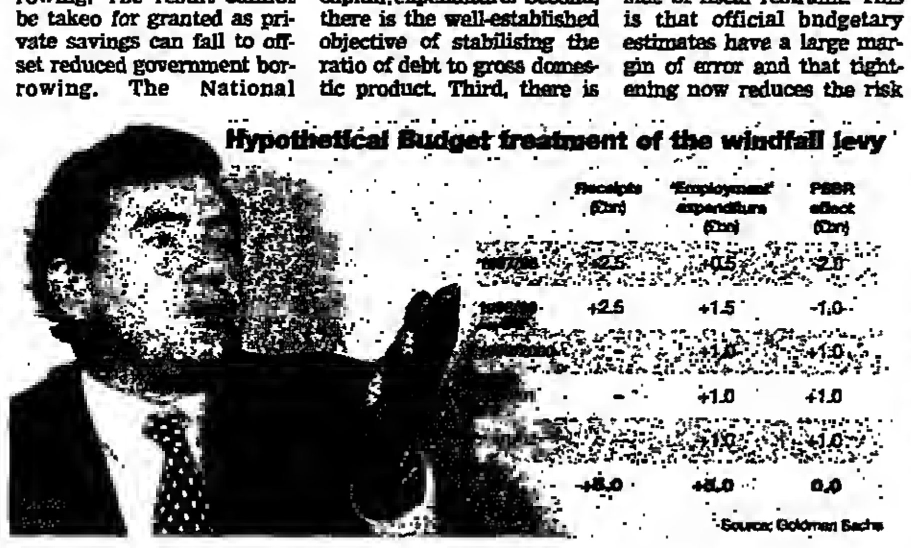
There is however one psychological and political reason why Mr Brown, if he was the next chancellor, might want to err on the side of fiscal restraint. This is that official budgetary estimates have a large margin of error and that tightening now reduces the risk of having to tighten later in the next parliament. Moreover a budget which errs on the side of tightness should help a new Labour government establish confidence in the financial markets.

How strong are these intangible arguments? Not strong enough, in my view, to justify imposing otherwise undesirable new burdens on individuals and companies. But they are strong enough to justify removing tax reliefs which are themselves distortions and which impede the supply performance of the economy. The obvious example is removing or reducing the last remnants of mortgage interest relief.

In general, Mr Brown would do well to avoid a show of Crippsian fiscal austerity and concentrate on his employment creation measures. These are likely to include attempts to use a little public money to price into work the long-term unemployed and jobless younger people by offering subsidies for new recruits.

Mr Clarke made a brave start with very similar measures in his 1994 budget, but unfortunately only on a very small scale and experimental basis. He since seems to have lost interest in them on the grounds that the best job-creation programme is a vigorous and expanding economy. Every chancellor seems to fall for this fallacy during a long business cycle upswing. But the justification for special employment measures is to improve the working of the labour market and reduce the unemployment rate over the average of the cycle.

The real criticism of the Brown strategy is that part of the impact will be wasted in simply offsetting the pricing out of work effects of the minimum wage. In other words Mr Brown will have to run unnecessarily fast just to stay where he is – which is presumably the object of his fitness training.



Management · Peter Marsh

Paint shop partners

Manufacturers can benefit from involving contractors in operating the plant

Longbridge paint shop: partnership has reduced defects

Managers involved in big engineering projects invariably breathe a sigh of relief when they kick the contractors out and can get on with the job. But what if they never leave? Dürr, a German company which is a world leader in installing painting systems for car plants, reckons it could be beneficial.

The company is negotiating with some customers not only a price for installation but also a separate deal in which a Dürr team stays on indefinitely to ensure the equipment runs smoothly.

This "partnership approach" to painting was taken on a £45m ($72m) paint shop, which Dürr installed two years ago at the Longbridge, Birmingham, plant of Rover, the UK car company owned by Germany's BMW.

The system – in which both Dürr and Rover run the installation – is one factor behind better-than-expected performance by the paint shop, say the companies.

The principles behind the arrangement resemble the "facilities management" deals seen in a range of industries. A supplier installs equipment – anything from a photocopier to a central heating boiler – and agrees to maintain or service it for a set time.

If the equipment is particularly complex, the supplier may leave a team to provide spare parts or handle potential breakdowns. This is what happens, for instance, with some specialised concrete pumping equipment in the construction industry.

The "partnership" aspect of the Dürr/Longbridge arrangement is not new. Manufacturers are increasingly leaving jobs such as parts production or metal cutting to suppliers, some of which may be located in the premises or nearby.

But it is rare for a manufacturer to trust a contracting company enough to make it a full-time partner within its own factory, particularly when the operation is as important as a car paint shop.

In a car plant, the paint shop is involved with dozens of technically exacting painting and finishing processes which affect how the finished vehicles look and are seen by customers.

While most carmakers regard painting as too important to leave to outsiders, many are aware of the need to improve paint shops.

For example, the performance of the paint shop tends to fall off appreciably when the contractors leave, possibly because of small technical problems that never get sorted out. Big problems quickly lead to antagonism between contractors and customers.

At the Longbridge shop, a replacement for an older system which works round the clock painting up to 60 vehicles an hour in 15 colours, Rover and Dürr thought they could both benefit from a new approach.

> 'This kind of approach only works if the participating companies are being honest with each other and sharing ideas'

Central to this is Mr Umesh Davda, a Dürr employee, who has remained at Longbridge as the facility manager. He reports directly to a Rover executive, Mr Peter May, the paint shop manager, and is responsible for many technical aspects of ensuring the system works at maximum potential. "Because Umesh is at the plant all the time we can sort out differences between us, build a relationship and learn from each other," says Mr Kim Johnson, a senior Rover engineer in charge of Longbridge's paint-operations.

Mr Davda says the approach works only if the companies are being honest with each other and sharing ideas. In discussions he has made suggestions on how to improve technical aspects of the system. These can then be modified according to operational constraints, such as the need to fit technical changes with shift patterns.

The "sharing" approach has helped to ensure that environmental targets for the paint shop have been met with little trouble. And the number of cars having no paint defects is 85-90 per cent compared with the 70-80 per cent which the companies say is an accepted level in installations of this type.

With such a performance record, the "partnership" system is likely to prove attractive to other vehicle makers, says Dürr. It is talking to other companies including Mercedes-Benz and Jaguar about similar methods of operating with the next paint shops they install.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: letters.editor@ft.com Published letters are also available on the FT web site: http://www.FT.com
Translation may be available for letters written in the main international languages.

Political correctness and myopia prevent objective debate on EU

From Mr Norman Lamont MP.

Sir, I am truly astonished at the myopia of the letter from 23 businessmen about Europe (Letters, March 11). Apparently political correctness has reached such heights that no one is allowed any longer to make an objective assessment of the costs and benefits of our membership of the European Union.

According to our captains of industry, membership of the EU is an article of faith that cannot be examined.

Yet your own editorial ("The trouble with Europe", March 11) on the opposite page pointed out that the Common Agricultural Policy cost the UK about 1 per cent per annum of its gross domestic product. Even if we assume improbably that the trade liberalisation effects of the EU add a quarter of a per cent per annum to our GDP, this hardly amounts to the bargain of the century. Does attempting to analyse these costs and benefits really amount to "popular jingoism" in your phrase?

But what your correspondents do not understand is that increasing scepticism about Europe is also about its political consequences. Monetary union is a political objective being pursued for political reasons. It will have profound implications for the future of parliamentary democracy in this country, and will drive Europe, as Continental politicians openly desire, in the direction of becoming a European state. Whether this can work does not seem an unreasonable question.

Businessmen are entitled to give their views on the single market. But they and you should acknowledge that politicians are equally entitled to warn of the political consequences, both of monetary union and the whole process of mindless integration.

Norman Lamont,
House of Commons,
London SW1A 0AA, UK

From Mr Andrew P. Godfrey.

Sir, Sir Colin Marshall and others highlight the need for a commitment to the European Union in the forthcoming election campaign, and underline the "enormous benefits" the UK enjoys as a result of the single market.

Grant Thornton International has recently published the results of the 1997 European Business Survey of 5,000 small and medium-sized enterprises (SMEs) in 19 countries. One of the points to arise is the striking differences in opinion between those SMEs in countries within the single market, and those outside it.

It is not just UK SMEs which are feeling the positive effects of the Union. Companies in all EU states recorded a positive balance when asked if the single market had made distribution easier. In Malta, Norway and Switzerland, which remain outside the EU, there was a negative balance.

While signatories to Sir Colin's letter represent big business in the UK, the aim of the single market was eventually to benefit the business life of all its members. It is vital that the benefits of membership trickle down to the SME sector.

We must not lose sight of the benefits the single market has delivered – again our research shows that, on balance, SMEs in Malta, Norway and Switzerland believe the single market has made expansion more difficult, while a net 6 per cent of SMEs inside the EU believe it has been made easier.

There is a long way to go before the fruits of the union are fully realised, but it would be foolish to forget the strides already made in opening cross-border trade and areas of operation.

Andrew P. Godfrey,
head of growth and development services,
Grant Thornton House,
Melton Street,
London NW1 2EP, UK

No outraged calls to BT

From Mr Colin R. Green.

Sir, Your article about alleged anger among BT investors ("BT investors upset by MCI disclosures", March 12) is potentially misleading to your readers.

BT issued a news release and notified the London Stock Exchange on February 11 that a registration had been filed with the Securities and Exchange Commission in the US. We are not allowed to circulate the US registration statement in the UK. Copies could be obtained from the SEC.

We would add that we have not received a single complaint from any institutional shareholder.

Colin R. Green,
secretary and chief legal adviser, British Telecommunications,
BT Centre,
81 Newgate Street,
London EC1A 7AJ, UK

Narrow view on US screens

From Mr Keith Wedmore.

Sir, How sad I am to have to agree with Mr Jones (Letters, March 7) that advertisements spoil American television's jewels. Even more, the need to keep sponsors happy prevents the gradually unwinding discussions of news and events which mark good British TV.

Almost, we have *no information*. Everything has to be brief, and therefore to achieve balance, politically correct; time prevents controversial programming (the word "controversial" can only be used pejoratively in California). Missing is investigative journalism of which *60 Minutes* is almost the only US example. Outside "public" TV, itself now eroded by the need to find advertisers, one seldom finds a programme free to explore a subject in depth.

Keith Wedmore,
5 Cornelia Avenue,
Mill Valley,
California 94941-1840, US

Cash's demise not on cards

From Mr Don Montague.

Sir, Mr Selwyn Hodson-Pressinger (Letters, March 1/2) should talk to the farmers and traders in the local markets around Lille before asserting so confidently that we can look forward to "exclusive use of credit and debit cards".

Don Montague,
Les Arbres,
Serres-et-Montguyard,
24500,
Eymet,
France

Emu should be postponed

From Prof Jochen Lorentzen.

Sir, In light of a possible German budget deficit in excess of 3 per cent you analyse ("Should Emu be delayed?", March 7) the disadvantages of postponing Emu (loss of credibility) and of starting Emu on time with Italy (uncontrollable political revolt by a DM-nostalgic German public), and propose to persuade Italy to wait "for another year or two".

This would jeopardise the sustainability of Italy's political and economic reforms. If assessed evenhandedly, neither Italy nor Germany would currently qualify for Emu, with possible higher borrowing costs as a result.

That would be painful but not as bad as telling the Italians that the reason for keeping them out is that the Germans are simply not ready for them yet. Thus, while postponement may cause some loss of credibility for Emu, going ahead will question the credibility of the European Union itself.

Jochen Lorentzen,
visiting professor,
Amherst College,
Box 2259,
Amherst,
MA 01002, US

هكذا من الأصل

Cinema/Nigel Andrews

Class act for a sandblown haiku

There are certain vital requirements before Hollywood's Academy will festoon a British film with Oscar nominations. It must be set in the twilight years of the Empire; it must tell of endurance and impossible odds; it must be high, wide and handsome, as if David Lean has risen from the grave to act as ghostly mentor.

Even with all that, Anthony Minghella's film of Michael Ondaatje's novel *The English Patient*, a project rejected by each major Hollywood studio in turn, must have seemed a wildly improbable enterprise.

Gandhi it isn't, nor *Chariots Of Fire*: one could sum up their triumphalist plots on a postcard. But think of the moguls nodding patiently as Minghella pitched this story. "We begin with an English-Hungarian Count burned beyond recognition in a North African plane crash, who while being tended in Italy by a French-Canadian nurse who'a involved with an American spy but is falling in love with a Sikh sapper flashbacks to his own passionate affair with the wife of an English explorer who crashes his own plane before . . . Hullo? Mr Mogul?"

The mogul is asleep, out of the room, or has turned to read the latest Stallone script.

Ondaatje's novel presented the story as a virtual reverie. But you cannot do that on the large screen, not if you want to sell popcorn. So Mingbella, even under the enlightened sponsorship of Miramax (*Pulp Fiction* and Co), stretches this sandblown haiku about love, jealousy, nationhood and self-destruction into a kind of linear coherence.

Over 2½ hours we fall in step with the beautiful, preposterous passion between Ralph Fiennes's dark-browed Anglo-Magyar matinee idol, all sunken eyes, sunken soul and Olivier-ish vocal inflections, and Scott-Thomas's sand-blonde siren with her crystal decanter accent, wry edge-of-giggle demeanour and cheekbones to die for.

These two actors/characters have driven Hollywood wild with their classiness. When trapped in a jeep by a sandstorm, they swap tales of famous winds from Herodotus. They make love amid billowing curtains or mosquito netting. And they keep getting lost in dunes, caves or wadis, shot by John Seale (of *Witness*, *The Mosquito Coast*) with a gorgeous instant colour-wash as if he has been told, "Please do David Lean on the production's beer money."

The other story is a dullish dog by comparison. In a daylight-blanched ruinad villa, nurse Juliette Binoche ministers to the cindery Mr Fiennes, wbose make-up resambles a werewolf witb leukemia. Meanwhile she challenges taboos and frontiers in her own romance with a Sikh bomb defusal officer (Naveen Andrews). A main strand in

THE ENGLISH PATIENT
Anthony Minghella

THE EVENING STAR
Robert Harling

MOTHER NIGHT
Keith Gordon

BOUND
Wachowski brothers

Ondaatje's book, this seems a looae thread here. "Okay, Anthony," (the miscegenation-wary moguls might have said), "we'll give you the desert, the Euro-lovers and the existential subtexts. But we'll soft-pedal any sweet music, please, between the girl and the bomb wallah."

So Binoche-Andrews is a virtual non-event. And the scenes between Binoche and interloping spy Willem Dafoe are like awkward pointing in the brickwork: explanatory mortar slapped between the rich, ruddy brickwork of the main romance. They tell os wby Fiennes himself might be a spy, what be was doing if anything in Tobruk and – oh hut who cares. It is as if someone bas stitched scenes from *Ice Cold In Alex* into Sternberg's *Morocco*.

At its best *The English Patient* is that classy. If Minghella's debut feature *Truly, Madly, Deeply* was overrated – a *Ghost* for the NW3 set – this movie is a quantum leap towards cinema's potential for magic. With great shrewdness it makes a virtue of today's co-production climate by telling a story *about* language, division and cultural bewilderment. And with great timeliness, at a moment when sex in the cinema is undergoing intensive care thanks to HIV and other crises, it gives us grand, mysterious, loopy passion.

This is the kind of love that leaves characters dying gorgeously in caves or enacting Icarus leaps in flaming 'planes from heaven to hell. And it is the kind of love that saldom dares to speak its name in cinema, except when allowed a wall-to-wall romantic iconography and that special Britisb gift for button-lipped apocalypses of the soul.

★

The Evening Star is about the kind of love that curdles on the plate before you have lifted it to your mouth. Can you imagine *Terms Of Endearment 2*? Can you imagine Shirley MacLaine mutating, over two hours, from an auburn-rinse pixie to something like Ray Walston in drag? And then dying beautifully, as her ex-convict grandchild and other hitherto rebarbative relatives melt in tears before our eyes?

If you can, then you are truly far gone as a film buff. You might even enjoy this film, written and directed by Robert Harling with the schmaltz be had left over from *Steel Magnolias*. This is a movie where not even the housekeeper must be denied her radiant death scene, where MacLaine can complain of loneliness in a house that seems like Grand Central Station, and wbere Jack Nicholson, stealing in for a late cameo, has his eyebrows at half-mast as if to indicate respect for the general mawkishness.

Surely writers like Alan Bennett have taught us that art about old people can be astringent as well as affectionate, funny as well as sad? At the press show of *The Evening Star* the audience was in a state of giggles at several scenes, but not, I believe, in any way Harling intended.

Nick Nolte is a Nazi – or does be only pretend to be? In *Mother Night*, based oo Kurt Vonnegut's novel, be plays American espionage's answer to Lord Haw-Haw: an émigré writer wbose propagandist broadcasts from Berlin contain coded messages for the Allies. But since his missioo is top secret, who will know that he was "one of us" once Roosevelt and company die?

The oovel, trading plausibility for tragical-satirical point-making, is essentially an allegory: which means that we believe it from side on. The cinema hates allegories, being front-on and photographic, so we never believe Keith Gordon's movie at all. Though Nolte growls, agonises and screws up his piglet eyes, this is an actorly performance in an uneasy, attitudinising film. Sheryl Lee, Alan Arkin and John Goodman also behave as if they have just stopped holding scripts in their hands. And Gordon's bid to be "cinematic" with alternations between colour and monochrome, suggests a man anxiously laying a choice of carpets over the bole in the ground where reality should be.

I have just caught up with *Bound*, which slipped through my grasp recently. Buffeted by colleagues' reviews claiming that it is (either) one of the best things since the Coen brothers (or) a cheap exploitation thriller filled with violence and lesbianism, I can now confidently venture my own opinion. It is both.

I see no honest reason why we should not be treated to the sight of two Sapphic minxes (Gina Gershon, Jennifer Tilly) caught up in carnal passion betweeo bouts of cbeating and murdering Mob members, including Tilly's husband Joe Pantoliano: at least when the plot is as ingeniously worked out as this and when the Wachowksi brothers, working on a pittance, have so keeo an eye for the surreal, acrobatic brinkmanship of the good thriller.

Juliette Binoche as the nurse: her romance with a Sikh is soft-pedalled in 'The English Patient'

Concert

Three Slava projects

The sparse turnout for Tuesday's concert at the Barbican was the price the London Symphony Orchestra had to pay for breaking the box-office on the other four nights of its Mstislav Rostropovich 70th birthday series. Rostropovich conducting Shostakovich or playing Dvořák is one thing: championing little-known works by Walton, Lutoslawski and Schnittke – all commissioned while be was music director of the National Symphony Orchestra of Washington – is another. It is brave of the great Russian cellist to continue nurturing these pieces, and equally brave of the LSO to group them into one uncompromisingly short programme.

I wish I could say that good intentions were rewarded. In truth, this concert was rather depressing because two of the three works were portraits of admired composers in their dotage. The fact that the LSO bad little opportunity to sparkle, and seemed unusually hesitant in some of its entries, was a further dampener. Rostropovich's heart may be in the right place, and the orchestra clearly loves blm, but someone should have realised that three Slava commissions do not on their own constitute programme-logic.

The three were Walton's *Prologo e Fantasia* (1981), Lntoslawski's *Novelette* (1979) and Schnittke's Sixth Symphony (1993). The Walton – his last composition – projects little sense of ideas kneaded, worked through or developed; bnt for the glint of Waltonian energy at the start of the *Fantasia*, the piece would make a good advert for creative block.

The similarity of mood between the Schnittke symphony and some of Shostakovich's later works may explain wby it alone carried the full force of Rostropovich's conviction: he understands and identifies with the idiom, bis raised fist at the brass perorations reflecting the music's fitful attempts to escape its desolate landscape. Written after the onset of Schnittke's illness, this symphony bears all the ballmarks of bis creative wounds: the argument stumbles along in feeble, fragmentary monosyllables, worlds away from the composer's explosive, polystylistic zenith; and the parcelling of gesture among isolated orchestral sections makes the going extremely ponderons.

Into tbis halting, Hölderlin-like frame, *Novelette* burst like a ray of snnlight. Lntoslawski composed it during a fallow period in his work on the Third Sympbony, and it bears many of that work's stylistic devices, including an arresting gesture at start and finish. What impressed was not just the accessibility-withont-compromise that characterises so moch of Lntoslawski's later ontpnt, bnt the apparent spontaneity of utterance within a meticulously organised plan. In less than 20 minntes, *Novelette* speaks volumes about musical texture, layers of meaning, lyrical sensation, orchestral dialogue. It alone proved worthy of Rostropovich's septuagenarian celebration.

Andrew Clark

The final *Rostropovich 70* concerts are tonight, Sunday aod Tuesday March 25.

Theatre/Alastair Macaulay

Legendary lady with a synthetic touch

Alastair Muir

Artificial stardom: Maria Friedman

The National Theatre's new production of tbe 1941 musical *Lady in the Dark* doesn't work. It is not disgraceful; and, since productions of *Lady in the Dark* are few and far between, anyone with an interest in musicals will be interested to see this one. But it is not delivered by believers.

This show has long been legendary. It brought together psychoanalysis, Gertrude Lawrence (star), Kurt Weill (composer), Ira Gershwin (lyricist), Moss Hart (author), a woman's quest to find fulfilment in career and/or love, and Danny Kaye (show-stopping new talent in aupporting role).

The main reason why *Lady in the Dark* has seldom been seen since the 1940s, however, is that it is less than a great musical. Gersbwin's lyrics are first-rate, but Weill's music is variable. And Hart'a basic story is weak. Liza Elliott, magazine editor for ten years, suddenly finds herself in trauma. She has to choose. Will she marry ber current lover (a married man who at last is getting a divorce and plans in marry her)? Or marry instead a knockout movie-star hunk?

Alas, you don't need much experience of schlock to know that she will cboose neither, because there is a third man on the scene who keeps debunking her and calling her "Boss Lady". And, as in a thousand women's movias, where there is a guy with irony enough to challenge our heroine's splendid façade, there our vulnerable heroine's heart will eventually go pit-a-pat.

You don't have to be feminist to distrust this show. All three men pursuing Liza are blank formulas. The more yon contemplate them, the more yon worry why Liza wastes time on any of them. The only guy around with some dimension to him is a petulant pouf. And Liza's supposedly wise shrink insists on equating ber womanhood with her need in be found beautiful and vulnerable.

So *Lady in the Dark*, to succeed, needs very particular treatment: which the National Theatre staging, starring Maria Friedman, directed by Francesca Zambello, does not deliver. Friedman has some fascinating contrasts to her – some meltingly soft singing and some defensively tight vibrato, a pug nose and a bulldog chin – that are right for Liza Elliott. But she keeps performing as if she were more interested in artificial stardom than in sincere artistry. When speaking to the shrink, ahe sounds noble, wronged, pious. When singing in her dreams, she sounds brassy, ingratiating. Ninety per cent of her performance, including the American accent, feels synthetic. Nobody could miss the 10 per cent, mind you. The first time she bums "My Ship", with her eyes shut, is the most moving thing in the show; it feels, unmistakahly, like the first thing to come from beneath surface level. It cannot belp that she and everybody else are given horrid costumes throughout by Nicky Cillibrand: dowdy, ill-coloured, ill-cut. Liza is meant to look severe in her suit; she merely looks drab, even more so when sha puts on supposedly glamorous gowns.

As the histrionic office queer, James Dreyfus has some funny moments; but his general sourness makes the role appear to have been conceived by bomophobes. He is not showman eoongh to show why "Tchaikowsky", with Danny Kaye, was a showstopper. Among the three suitors, Adrian Dunbar makes most headway as the tougbie who wins Liza. As her lover, Paul Shelley works too bard; as the handsome hunk, Steven Edward Moore sings and acts like a clone. Hugh Ross is excellent as the shrink, and Charlotte Cornwell confers on Liza's assistant Maggie (an Eve-Arden-type role) an ideal mixture of cynicism, stylishness, concern, and warmth.

Zambello has directed the show in mucb the way that Friedman performs the title role: as various kinds of artificiality. The analysis sessions, dream scenes, and office scenes are all, in different ways, over-choreographed, trite, bogus. The dances – by Quinny Sacks – are largely doll-like and expressionistic. Neither tbe girl announced as Liza's prettiest class-mate nor the line-up of suitors proclaiming ardour for Liza are convincingly cast.

In National Theatre repertory at the Lyttelton Theatre, Sontb Bank. Sponsored by the Mackintosh Foundation.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Nederlands Kamerorkest: with conductor Hartmut Haenchen and soprano Alexandra Coku perform works by Schreker, Schoenberg, Schubert and Mahler; Mar 15, 18
● Rotterdams Philharmonisch Orkest: with conductor Valery Gergiev and violinist Leila Josefowicz perform works by Lortzing, Mendelssohn and Rachmaninov; Mar 15

EXHIBITION
Rijksmuseum Tel: 31-20-6732121
● Reflections on the Everyday - Dutch Genre Prints from the 16th and 17th century: In the late 15th century, woodcut artists and engravers began portraying scenes of everyday life in prints. Humorous couples, farmers on their way to market, groups of musicians; scenes such as these were especially popular in the 16th century. This exhibition provides a survey of the genre prints with works by van Leyden, Rembrandt and van Ostade accompanied by some lesser known prints by their contemporaries; to May 4

BARCELONA

CONCERT
Palau da la Música Catalana Tel: 34-3-2681000
● Radio-Simphonie-Orchester Frankfurt: with conductor Pinchas Zukerman perform works by Beethoven, Mozart and Dvorák; Mar 17

BERLIN

DANCE
Deutsche Oper Berlin Tel: 49-30-3438401
● Ballett der Deutschen Oper Berlin: perform "Paquita" to music by Minkus, choreographed by Vinogradopov (after Petipa). "Concerto" to music by Shostakovich, choreographed by MacMillan and "Onegin" to music by Tchaikovsky and Stolze, choreographed by Cranko; Mar 14, 16

BRISBANE

POP-MUSIC
Entertainment Centre Tal: 61-7-3265-8111
● Tina Turner: performance by the American rock singer; Mar 14, 15

BUDAPEST

EXHIBITION
Hungarian National Gallery Tel: 36-1-17575333
● Magnificat anima mea dominum: display of fine art from the late Gothic period, with the restored panel painting "The Visitation", dated 1506 and aigned by Master M.S., a particular highlight; from Mar 13 to May 25

CHICAGO

EXHIBITION
Museum of Contemporary Art Tel: 1-312-280-2660
● Art in Chicago, 1945-1995: exhibition presenting a historical survey of the art made in Chicago in the years 1945-1995. The exhibition features about 150 works by 135 artists in all media and includes a supplementary exhibition of documentary and archival information covering film and video, performance, audin and computer-assisted arts; to Mar 16

COLOGNE

AUCTION
Kunsthaus Lempertz Tel: 49-221-9257290
● Afrikanischa Kunst: auction of 183 pieces of African art, including cult figures, masks and ritualistic and religous paraphernalia; Mar 15

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Junge Deutsche Philharmonie: with conductor Lothar Zagrosek and soprano Christine Schäfer perform works by Maderna, Berg, Beethoven and Mozart; Mar 16

LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● London Symphony Orchestra: with conductor Zubin Mehta perform works by Stravinsky, Bloch and Strauss; Mar 16
Purcell Room Tel: 44-171-9604242
● Olga Tverskaya: the pianist performs works by Haydn, Mozart, Shubert and Vorisek; Mar 16
Queen Elizabeth Hell Tel: 44-171-9210600
● Artur Pizarro: the pianist performs works by Shostakovich, Agosti, Stravinsky and Scriabin; Mar 16
Wigmore Hall Tel: 44-171-9352141
● Alban Gerhardt: performance by the cellist accompanied by pianist Markus Groh. The programme includes works by Beethoven and Brahms; Mar 15

LOS ANGELES

CONCERT
Dorothy Chandler Pavilion Tel: 1-213-972-8001
● Los Angeles Philharmonic: with conductor Esa-Pekka Salonen, soprano Alessandra Marc and baritone Hekan Hagegerd perform works by Schubert and Zemlinsky; Mar 14

NEW YORK

EXHIBITION
MOMA - Museum of Modern Art, New York Tel: 1-212-708-9400
● Rainer Werner Fassbinder: retrospective exhibition devoted to German film maker Rainer Werner Fassbinder, one of the main representatives of the New German Cinema. Fassbinder died at the aga of 37 in 1982, having completed 44 films. This retrospective is tha first complete exhibition of Fassbinder's films in the US and includes many new prints; to Mar 31
The Metropolitan Museum of Art Tel: 1-212-879-5500
● Indian Court Painting: 16th-19th Century: exhibition of paintings drawn primarily from the museum'e own collection tracing the various traditions nf Indian painting over four centuries. The display is one of three this year at the Metropolitan to mark the 50th anniversary nf India's Independence; from Mar 20 to Jul 6

MUSICAL
Martin Beck Theater Tel: 1-212-239-6200
● Annie: by Strouse and Charnin. Cast includes Nell Carter. Special 20th anniversary revival; from Mar 13 to Sep 30

THEATRE
Music Box Theatre Tel: 1-212-239-6200
● Barrymore: by Luce. Directed by Gene Saks. The cast includes Christopher Piummer; from Mar 14 to Sep 30

OXFORD

EXHIBITION
Museum of Modern Art Tel: 44-1865-722733
● In Visible Light: exhibition examining the history of photography'a attempts to classify tha world and questioning its role as a passive recorder of events. On display is a print taken from tha first X-Ray (from 1895) as well as a number of works by photographers including Andres Serrano, Humphrey Spender, Sol LeWitt, Diane Arbua and Cindy Sherman; from Mar 16 tn Jun 22

PARIS

CONCERT
Théâtre du Châtelet Tel: 33-1 42 33 00 00
● Gidon Kremer, Veronika Hagen, Clemens Hagen and Alnis Poch: the violinist, alto, cellist and double bass-player perform works by Schubert and Schnittke. Part of the Schubert Bicentennary; Mar 15

THEATRE
Comédie Française, salle Richelieu Tal: 33-1 40 15 00 15
● Tartuffe : by Molière. Directed by Dominique Pitoiset, performed by The Comédie-Française. The cast includes Philippe Torrentont and Jean d'Autre May; from Mar 15 to Jul 1

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FINANCIAL TIMES
Thursday March 13 1997

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Takeover signals a new era of competition

Japanese telecoms merger first of more

By Michiyo Nakamoto in Tokyo

Japan Telecom and International Telecom Japan will merge this autumn to create the country's second largest-earning telecome company after Nippon Telegraph and Telephone.

The merger – the first in the industry – between the long-distance operator and the international carrier is in advance of intensified competition expected to follow the government's decision last year to remove barriers between domestic and international telecoms, and allow a demerged NTT into the international market within two years.

"Japan Telecom has judged that it will be difficult to survive the global competition if the company continues to be an entity offering only long-distance services," Mr Haruo Murakami, vice-president, said yesterday.

Japan Telecom, affiliated with Japan's privatised railway companies, will absorb the smaller ITJ.

NTT has signalled its intention to enter the international market while KDD, Japan's largest international carrier, is moving into domestic services.

ITJ's shareholders include Japan's leading trading companies as well as Matsushita, the consumer electronics maker.

Details of the merger, including share allocation and who will head the new company, will be decided by the end of the month.

The merger is one step in what could be a much larger consolidation in the industry. Japan Telecom said it would welcome the participation of KDD and local telecoms operators in a much larger conglomerate.

Although specific talks to that end have not been held, KDD already has close ties with Japan Telecom through joint stakes in five mobile telephone companies.

Japan Telecom also said it would go ahead with plans, announced last month, to link its lines to those of KDD to provide customers with one-stop services. Meanwhile KDD has tied up with the local carriers affiliated with electric power companies.

Shares in competitors to the newly-created company, including NTT, KDD and DDI suffered price falls on the Tokyo Stock Exchange yesterday.

However, analysts expect the only serious challenge to NTT to come from a much larger entity including KDD and the local carriers.

Although the merged company will be the second largest in terms of revenues after NTT, its forecast revenues of more than Y400bn ($3.3bn) will be only about half the estimated Y800bn revenues of the demerged long-distance NTT, with which the new company will compete in the international market.

"NTT still has the overwhelming advantage, apart from its size and financial resources, of a very long customer list," said one analyst. "NTT is the largest provider of telecoms services in Japan and we think those customers will consider NTT for international services as well."

The move by Japan Telecom and ITJ is expected to put further pressure on smaller competitors, such as DDI, to reassess their strategies.

See Lex

US floods mirror warnings of global warming

By Leyla Boulton in Washington

The US storms and floods which have killed about 50 people and caused at least $1bn damage in the past two weeks reflect a rise in weather extremes consistent with global warming, according to a leading American scientist.

Mr Tom Karl, senior scientist at the National Climate Data Centre in Asheville, North Carolina, said: "They reflect the types of events we expect to become more frequent as global temperatures increase. They match trends over the past century."

Mr Karl, whose centre studies and forecasts US weather, said rivers which had always been flood-prone were flooding more often as overall US rainfall had increased by 8 per cent over the past 100 years.

This meant that on average the US was receiving the equivalent of half the Mississippi river in additional rainfall every year compared with levels at the beginning of the century.

Mr Karl said the world needed to improve co-ordination of its studies of extreme weather events worldwide to increase understanding of climate change.

His headquarters will host a meeting in June of top scientists and representatives of the reinsurance industry, which has the most to lose from an increase in weather-related insurance claims, to "devise a plan of where we should go from here".

The Intergovernmental Panel on Climate Change, which brings together scientists to research on behalf of governments, has suggested that average temperatures could rise by 1 to 3.5 degrees centigrade over the next century if the world carries on emitting greenhouse gases such as carbon dioxide at present rates.

Governments are due to meet in Kyoto in December to negotiate international cuts in carbon dioxide emissions.

Meanwhile the US Federal Emergency Management Agency, which is responsible for disaster relief, is bracing itself for renewed storms and flooding in areas already devastated since tornadoes hit Arkansas in February.

The greatest threat is that the Mississippi, the country's biggest river, will today burst its banks in part of Tennessee, one of six states affected by the extreme weather.

The storm front unleashed by the Arkansas tornadoes has also triggered flooding in Ohio, Kentucky, Indiana, and West Virginia.

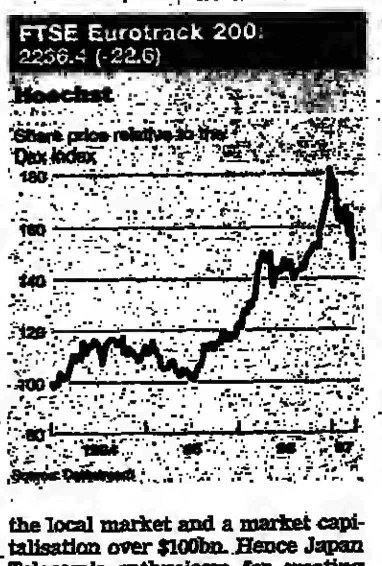
THE LEX COLUMN

Hobbled Hoechst

Hoechst's U-turn is astounding: instead of floating off its pharmaceutical division, the group has decided to keep the drugs and divest itself of its chemical activities instead.

For investors who have backed the restructuring carried out under Mr Jurgen Dormann, the chairman, this is a slap in the face. The partial stock market listing of HMR, the drugs arm, was always second best to a clean demerger on the lines of ICI and Zeneca. But it would still have released value as HMR attracted a higher rating and it would have happened soon – probably by this autumn. It will take Hoechst much longer to find partners for all of its poorly-performing bulk chemical businesses; and even longer to restructure them to a point where they can be floated, so that Hoechst can sell out. Meanwhile, HMR will remain buried in a conglomerate. Having shown investors a hidden jewel, Mr Dormann is stuffing it back into his pouch.

The group's rationale for the new strategy is sketchy. It argues borrowings have fallen faster than planned, so an HMR flotation is no longer a financial necessity – but debt will rise in 1997. Hoechst also makes much of keeping full control of drugs and linking it with its other life science businesses. But two of these, agrochemicals and diagnostics, are themselves joint ventures. This about-face seems to have more to do with management's desire to keep on running the more attractive pharmaceutical business than with anything else.



Japan Telecom/ITJ

Yesterday's merger talks between Japan Telecom and ITJ are the first of a wave that will change the industry's landscape. As Japan's traditional regulatory barriers between local, long-distance and international communications fall, the logic of knitting together operators from different parts of the industry is compelling. Hence Japan Telecom, a long-distance network, is planning to merge with ITJ, an international operator.

But this particular combination will still be dwarfed by the mammoth Nippon Telegraph and Telephone. Japan Telecom and ITJ may have nearly 20 per cent of their respective markets and will probably enjoy a combined market capitalisation of around $9bn. But NTT has over 50 per cent of the long-distance market, 99 per cent of the local market and a market capitalisation over $100bn. Hence Japan Telecom's enthusiasm for creating an even bigger conglomerate. KDD, which has two-thirds of Japan's international market, is in its sights. That could also bring a relationship with TTNet, NTT's largest local competitor albeit with only 0.2 per cent of that market.

Similarly, Japan Telecom is keen to strengthen its global position by forging an alliance with non-Japanese groups. The snag is that the most attractive partners, like BT/MCI, will presumably want to see whether they cannot link up with NTT instead. While it is hard to see precisely how this matchmaking will end, one thing is certain: the market is becoming increasingly competitive.

Insurance brokers

There have been so many marriages in insurance broking that the industry is starting to resemble a particularly sentimental novel. The latest nuptials – between Marsh & McLennan and Johnson & Higgins – mean the old "big six" group of global brokers is instead a pair of happy couples. And the two UK groups, Sedgwick Group and Willis Corroon, are stranded on the shelf. What is to become of the old maids?

Certainly, their chances of being taken over soon have considerably shrunk. Both US groups, even if either could in time return to the prowl, are likely to be preoccupied with their current prey for the time being. More is the pity: the $1.8bn Marsh is paying for J&H, a business with $1.2bn in revenues, is a valuation to make long-suffering Willis and Sedgwick shareholders weep.

On the other hand, the chances that the two Brits might reluctantly embrace each other must have grown. Willis in particular has long fretted, and rightly, that mergers in this people business are not snag-free. Yet the scale of the cost savings promised by Marsh – at least $150m a year – surely leaves the UK groups little choice but to talk. Certainly their shareholders should be pressing them to. But that, of course, is one reason why investors in the US groups would be rash to count on lavish cost savings padding bottom lines for long. A world in which all end up scrabbling for economies of scale is one in which the savings will quickly be competed away.

Rentokil Initial

Rentokil never pretended it would grow at 20 per cent for ever. But it is still a shock to find that in the second half of 1996, Rentokil's profits – excluding a first contribution from BET – did not grow at all.

Sir Clive Thompson, the chief executive, blamed yesterday's poor results on the fact that management had been distracted by the integration of BET, bought for £2.3bn ($3.7bn) last April. But the disappointments were too widespread for that: flat second-half margins in Asia-Pacific and a fall in UK pest control profits can hardly be blamed on disruption, since BET had no businesses in those areas. More likely, Rentokil's famously lean management simply over-stretched itself. Moreover, it looks as if margin expansion in areas like pest control is coming to an end.

The question now is at what sort of rate Rentokil will grow in future. In 1997 the group should still squeak in with 20 per cent earnings growth, helped by improving margins at BET and accounting adjustments that will save £11m a year. Longer term, however, some of BET's operations, in particular crane hire and distribution, are both more capital intensive and more cyclical than traditional Rentokil businesses. From 1998 growth of 15 per cent, or even less looks likely. As Rentokil comes down to earth, so should its rating. Even after yesterday's 9 per cent fall, the shares trade at a 30 per cent premium to the market average on 1998 forecasts. That looks too high.

Additional Lex comment on Iceland, Page 2

Marsh & McLennan back on top

Continued from Page 1

which encompasses employee benefits consultancy, healthcare, and the management of captive insurance companies. These are all areas outside of traditional insurance broking, where growth has become increasingly difficult and margins are under pressure.

Marsh itself derived less than half of its $4.15bn revenue from insurance services last year. Its Putnam fund management arm contributed $1.01bn and it earned $1.16bn from consulting.

The deal leaves a question mark over the future of Unison, a global broking network underpinned largely by Johnson & Higgins' international presence. It owns 90 per cent of the Unison offices worldwide.

Mr Smith said he thought it unlikely that Marsh would want to be part of a group with whom its own subsidiaries were competing.

Marsh is expected to decide shortly whether it will buy Minet, the loss-making UK broker owned by US property and casualty insurer St Paul Companies.

The group's share price was up $6⅝ at $128⅝ in early afternoon trading on the New York Stock Exchange.

Brussels to reform smuggling controls

By Neil Buckley in Strasbourg

A Europe-wide investigation unit and computer system linking national customs authorities could be set up by Brussels to combat smuggling.

The European Commission said yesterday it would propose reforms and new controls on Europe's road freight transit system after a European Parliament report estimated fraud was costing European Union states at least Ecu3.5bn ($4bn) a year in unpaid excise duties.

The report criticises the Commission, member states and customs services for failing to tackle the problem.

Under the "common transit system", goods such as cigarettes and alcohol do not pay excise on entering EU territory, provided they leave the EU intact, or pay the duty at their final EU destination.

The system has been extended to the European Free Trade Association countries, including Switzerland, and the Visegrad countries of Poland, the Czech and Slovak republics, and Hungary.

But the report says criminal groups are exploiting the removal of internal border controls in the EU, outdated monitoring systems and lack of co-operation between customs services.

The report says no one knows the true size of the lost revenues which could run into tens of billions of dollars.

The transit fraud inquiry was the first to be instituted under powers given to Parliament by the 1992 Maastricht treaty to investigate EU maladministration.

Mr Mario Monti, single market commissioner, told the European Parliament's Strasbourg assembly yesterday that he would produce proposals before the end of next month on reforming the transit system.

These would include speeding up plans to use computers, including the establishment of monitoring systems in each member state linked to a Europe-wide New Computerised Transit System, and an information-sharing and early warning programme.

Mr Monti added that there would be no extension of the transit system to further countries until it had been fully computerised. The Commission wants to unify the three transit systems, covering the EU, EFTA and Visegrad countries.

Editorial Comment, Page 15

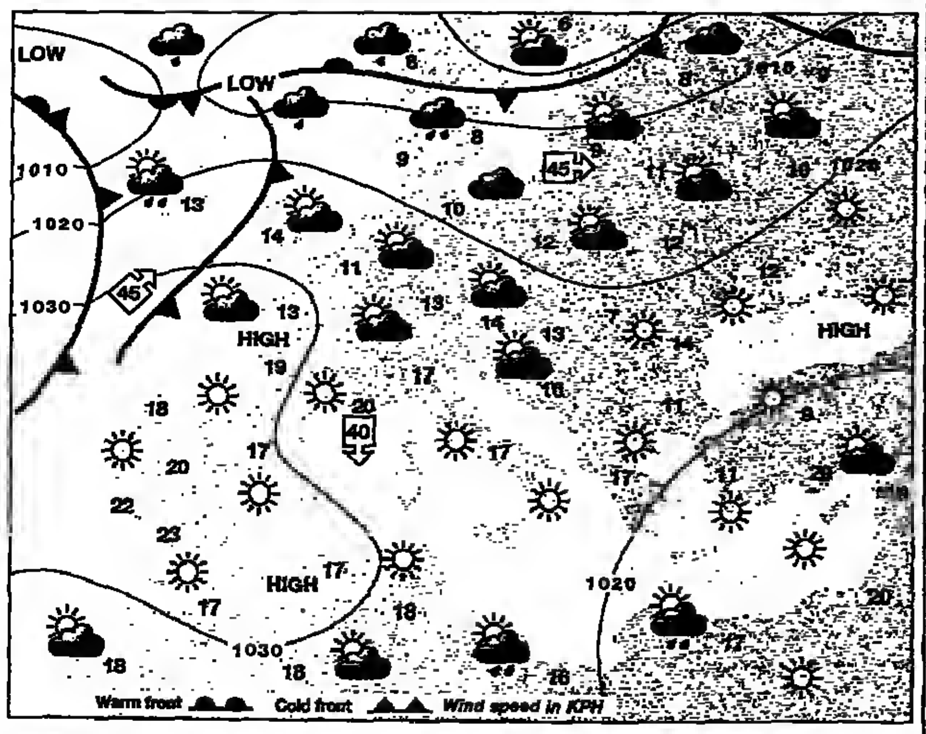
FT WEATHER GUIDE

Europe today

Most areas will be sunny but cloud and rain will spread into western regions. The British Isles will be cloudy with some rain. Benelux and northern France will be cloudy. Spain and Italy will stay sunny and rather warm. Afternoon temperatures will be higher than 25C in parts of Spain. The eastern Mediterranean will have showers. Fog in north-west Europe will clear in the early morning.

Five-day forecast

Cloud and rain will spread across most areas and it will turn colder during the weekend. The Baltic states will have rain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

City	Maximum Celsius
Abu Dhabi	sun 31
Accra	fair 31
Algiers	fair 17
Amsterdam	cloudy 11
Athens	sun 14
Atlanta	shower 18
B. Aires	fair 27
B.ham	shower 14
Bangkok	sun 36
Barcelona	sun 17
Beijing	cloudy 13
Belfast	rain 13
Belgrade	sun 15
Berlin	fair 10
Bermuda	fair 19
Bogota	cloudy 20
Bombay	sun 35
Brussels	cloudy 11
Budapest	fair 13
C.hagen	cloudy 9
Cairo	sun 20
Cape Town	sun 24
Caracas	fair 28
Cardiff	shower 12
Casablanca	sun 25
Chicago	cloudy 3
Cologne	cloudy 12
Dakar	sun 24
Dallas	cloudy 23
Delhi	fair 30
Dubai	sun 30
Dublin	rain 14
Dubrovnik	sun 17
Edinburgh	rain 13
Faro	sun 19
Frankfurt	cloudy 13
Geneva	fair 18
Gibraltar	sun 17
Glasgow	rain 14
Hamburg	rain 10
Helsinki	fair 8
Hong Kong	sun 26
Honolulu	fair 28
Istanbul	fair 10
Jakarta	fair 31
Jersey	cloudy 16
Karachi	sun 34
Kuwait	shower 22
L. Angeles	sun 23
Las Palmas	fair 23
Lima	fair 27
Lisbon	sun 22
London	cloudy 14
Lux.bourg	cloudy 11
Lyon	fair 15
Madeira	sun 21
Madrid	sun 20
Majorca	sun 18
Malta	fair 16
Manchester	rain 14
Manila	fair 32
Melbourne	shower 20
Mexico City	fair 22
Miami	fair 29
Milan	sun 17
Montreal	sun -8
Moscow	fair 8
Munich	fair 15
Nairobi	cloudy 29
Naples	sun 15
Nassau	fair 27
New York	fair 8
Nice	sun 18
Nicosia	sun 21
Oslo	cloudy 11
Paris	cloudy 13
Perth	sun 28
Prague	fair 12
Rangoon	sun 37
Reykjavik	fair -1
Rio	fair 30
Rome	sun 17
S. Frsco	fair 17
Seoul	sun 16
Singapore	fair 32
Stockholm	fair 11
Strasbourg	cloudy 15
Sydney	fair 26
Tangier	sun 18
Tel Aviv	sun 20
Tokyo	fair 14
Toronto	fair 0
Vancouver	fair 7
Venice	sun 14
Vienna	fair 14
Warsaw	fair 12
Washington	fair 14
Wellington	fair 18
Winnipeg	sun -8
Zurich	fair 14

FINANCIAL TIMES

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Thursday March 13 1997

Fraud across EU borders

The much ridiculed European Parliament has done a good job in exposing the way in which organised crime has exploited the EU single market after 1993. Yesterday, the European Commission broadly endorsed the conclusions of a European parliamentary committee of inquiry into the EU's transit system. And the commission has already started to implement proposals to reduce smuggling within the Union.

This was the first EU parliamentary inquiry to be set up under the provisions of the 1992 Maastricht treaty. The result is a welcome sign that the parliament can be more than a talking shop, can bend its energies to an important problem neglected by the Brussels bureaucracy, and is able to come up with some practical remedies.

The opportunities for smuggling – mainly of cigarettes – arise from the European transit provisions which allow goods to enter the EU without payment of customs duties or VAT, provided the consignment is passing through to a destination outside the Union.

Because of an antiquated system of paper forms and the opening up of national borders within the EU after 1993, smugglers have been able to import duty-free cargoes, which were really destined for sale within the Union. The scale of this fraud is uncertain, but may well run into tens of billions of Ecu per year. Perhaps more important than the loss in taxes is the insidious danger that organised crime will extend its hold within the EU and use the easy profits from cigarette smuggling for much more dangerous activities, such as arms and drugs trafficking.

The proposed remedies include closer co-operation between national customs authorities, backed by a more modern computerised system, a tightening of transit rules, and more streamlined systems for pursuing legal actions against smugglers across national borders.

However, the committee goes too far in proposing a force of supranational customs investigators. These Euro-police would need to be both numerous and powerful if they were to discover which of the 18m transit operations per year represented contraband. A Europe still struggling with the uncertainties of monetary union, and far from agreement about the implications of enlargement, or a common approach to justice and home affairs, is not ready for such an idea.

Nor is it necessary. The parliamentary committee's report sets an ambitious agenda for combating fraud. This is an issue on which all EU partners have an interest in co-operating. Proposals for cross-border policing would only divide them and create a diversion from simpler practical remedies.

Uganda's debt

The joint World Bank-IMF plan to ease the debt burden of the world's poorest countries is facing its first test. The two boards have been meeting this week to decide whether Uganda, one of Africa's rare economic success stories, has done enough to qualify for assistance – or whether to delay approval for at least a year.

On the face of it, there could hardly be a more deserving case for debt relief. Eleven years after President Yoweri Museveni and his National Resistance Movement took office, a country that had been devastated by war and mismanagement is making a remarkable recovery. Thanks to economic reforms and donor support of some $500m a year, GDP growth has averaged 6 per cent annually since 1987.

But external debt, the bulk of it inherited from the regimes of Idi Amin and Milton Obote, totals $3.4bn. Servicing the debt takes up almost a third of export earnings. Nearly half these payments go to multilateral lenders such as the World Bank, which should be at the forefront of Uganda's recovery. It is this anomaly that the debt initiative is designed to resolve.

The main condition of the initiative – a six-year record of successful adjustment – has already been met by Uganda. The government has also pledged that the money saved, around $80m a year over the next three years, will be spent on social services and on primary education in particular. In a further effort to reassure donors who fear the money may be misappropriated in any way, the government has offered to open the books to creditors and donors, and allow monitoring of the budget process and expenditures.

There is, however, one area of concern. Uganda's spending on defence has risen from 13 per cent of the budget in 1991 to around 20 per cent, the consequence of Mr Museveni's leading role in the region's wars.

His support for rebels in southern Sudan has prompted retaliation from Khartoum, which backs insurgents in northern Uganda. Meanwhile his close ties with Rwanda include support for the rebels in eastern Zaire. Mr Museveni vigorously denies, however, that he provides material assistance to Rwanda or to the rebels.

Creditors should take advantage of the government's invitation to put this claim to the test. If Mr Museveni's denial is substantiated, Uganda's track record of reform warrants reward. But if evidence is uncovered that Uganda is playing an active part in its neighbours' conflict, creditors should think again. Debt relief cannot be allowed to subsidise Mr Museveni's foreign policy.

Help for Hanoi

On the surface, the Asian Development Bank's pledge to lend Vietnam $1.5bn looks odd. This will make Vietnam the largest recipient of concessional money from the ADB – and those loans come on top of a similar commitment from the World Bank. These donors must insist on tough conditions.

Such largesse ought to be superfluous for a country with an average annual growth rate of 8.2 per cent in the 1990s and ready access to private capital. Yet Vietnam still has large pockets of weakness in its economy, low foreign exchange reserves and a current account deficit of 12 per cent of gross domestic product, which is unsustainable.

In the short run it faces pressure on its reserves thanks to a worrying build-up of short-term trade debt, all too often contracted on dubious grounds by state-owned enterprises which then decline to repay on the instructions of their local Communist party officials.

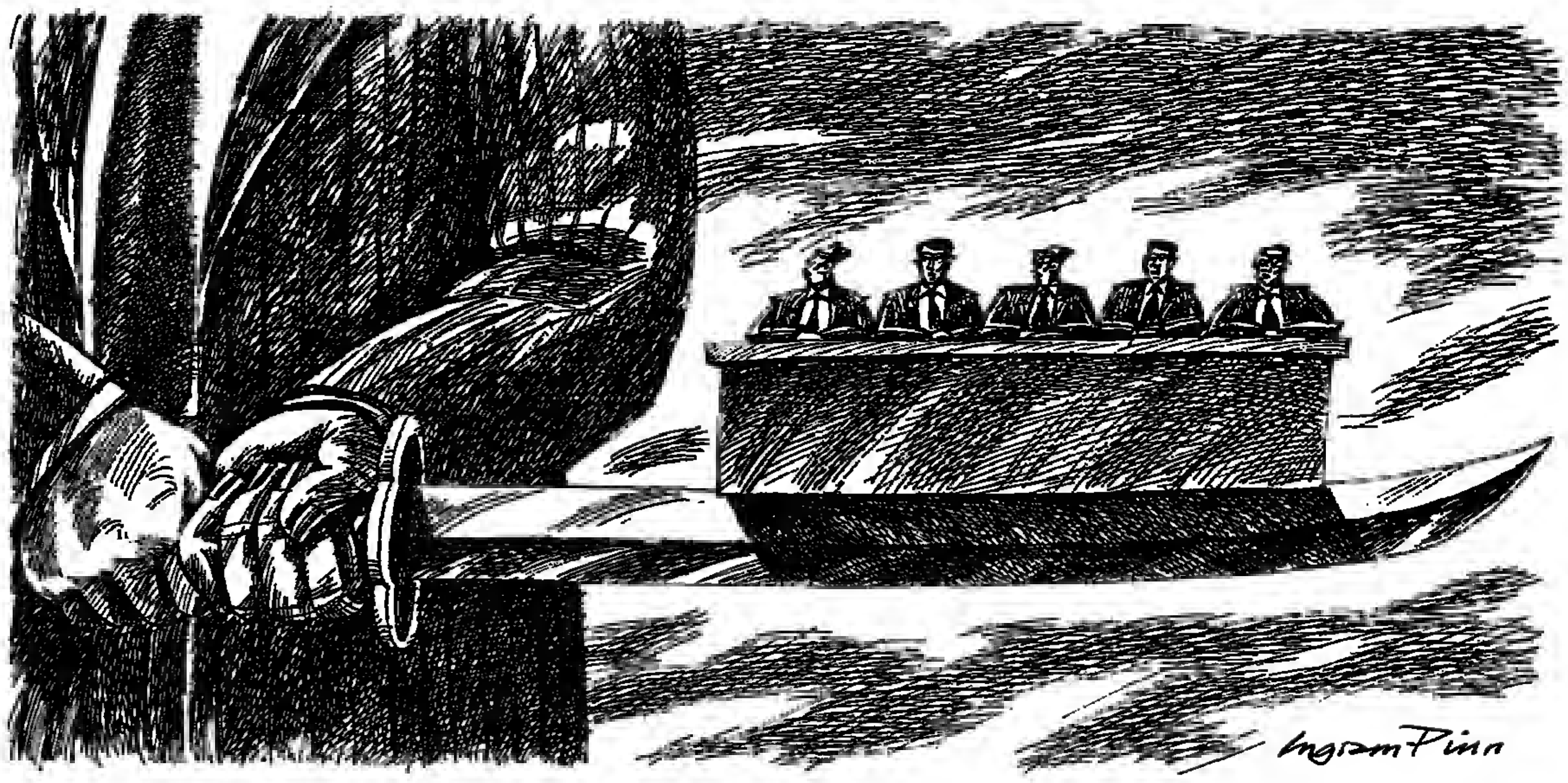
Some foreign borrowing to replenish the reserves is inevitable. It is better that this should take the form of long-term concessionary finance rather than expensive short-term commercial credit. Vietnam is not short of offers from banks anxious to diversify their loan portfolios. It could easily build up an unmanageable debt burden.

But official lenders must take maximum advantage of the opportunity to impose conditions. One priority is further effort to shore up Vietnam's crumbling banking system so it can allocate financial resources more efficiently and mobilise more domestic savings.

Another is reform of state enterprises, enabling the economy to move away from import substitution and heavy goods industries. Vietnam is still far too dependent on commodity exports. Without a competitive export industry it will have difficulty closing its payments gap.

Neither priority can be met without the Communist party relinquishing some control. Interference by party officials in what ought to be commercial decisions has exacerbated the serious problems in the banks. Similarly, Vietnam's dawdling over state enterprise reform stems from the desire of a frequently corrupt bureaucracy to maintain its patronage.

Perhaps because of collective residual guilt over the war, aid donors sometimes appear to give Vietnam an easy ride. If that is motivating the World Bank and ADB, their money will be wasted. Without further reforms Vietnam risks payments crisis and dwindling growth in the medium term with political instability as popular expectations are dashed. Donors will not help Hanoi unless they make this plain.



Tradition on a knife-edge

Japan's most recent cases of corporate extortion may be a healthy sign of greater pressure for openness, writes **William Dawkins**

Evidence that two of Japan's most prestigious companies have been paying the mob to keep shareholders quiet is a reminder that Japanese corporate governance is, to put it *mildly, peculiar*.

Shock – but no great surprise – has been the general reaction to last week's admission by Nomura Securities, the country's largest stockbroker, that it was the latest company to have dealt with gangsters. Its staff had illicitly channelled money into the bank account of a dodgy property company owned by the brother of a prominent *sokaiya* or corporate extortionist.

The pervasiveness of this phenomenon was reinforced less than a week later when two executives of Ajinomoto, Japan's largest processed food maker, were arrested on suspicion of bribing six *sokaiya*, who are also being detained at the emperor's pleasure.

These are only the latest in a long queue of 26 Japanese companies – some of them very well-known – which have been found to be paying off gangsters since this practice was supposed to have been outlawed in 1982. Recent offenders include Takashimaya, the department store, Kirin Brewery, Japan's largest beer producer, and Ito Yokado, a leading supermarket chain.

Undeterred by half-hearted government attempts to oust them from corporate life, *sokaiya* have thrived on Japan's system of cross-shareholdings for years. They extract bribes in return for ensuring that awkward questions are not asked at annual shareholders' meetings.

If anything, shameful revelations from corporate Tokyo are getting more frequent – three in the past 12 months alone. And this is Nomura's second brush with the law in six years.

Sokaiya are a well-known feature of a business culture that does not welcome intervention from independent investors – and are widely blamed for what is seen as Japan's weak corporate governance. Yet senior Japanese executives believe these latest cases are, paradoxically, a healthy sign of pressure for greater openness.

The most recent scandals are, in part, a consequence of growing pressure from media, the equity markets and politicians for more corporate disclosure. The Nomura and Ajinomoto cases have been the subject of gossip in the popular press for several months.

"The proliferation of these scandals and disclosure of them are part of a general shift from the traditional system to more global standards," says Mr Masaya Miyoshi, president of the Keidanren economic federation. "It is inevitable because many companies still carry with them old attitudes."

Another healthy sign is that customers and investors are for the first time penalising the latest wrongdoers, a better deterrent than the suspended prison sentences and small fines doled out by the authorities in the past.

Nomura's fund management clients, including its own asset management affiliate, have started to take their business elsewhere in the past few days. This did not happen to the same extent after Nomura's last gangster scandal in 1991 when clients valued a relationship with Nomura more than propriety.

Takashimaya's investors are suing it for compensation, a rare event. The Keidanren, meanwhile, says it might suspend Nomura's membership when it sees the result of an official inquiry.

It is, however, an open question whether all this is enough to encourage managers to break with the *sokaiya*. Their influence is deeply rooted. They are also a logical – if unpleasant – symptom of an otherwise robust corporate system.

They first appeared in postwar years – often by management invitation – to head off any opposition to strategies of keeping dividends low to plough maximum earnings back into expanding businesses. But when many companies tried to shake off this legacy in the 1980s, the *sokaiya* proved ingeniously persistent.

The police believe their number has halved over the past decade to about 1,000. But they have, says Mr Miyoshi, grown very sophisticated. Typically, they operate front companies which buy shares in a victim company entitling them to turn up at shareholders' meetings.

They might also offer the target company a service, such as office cleaning or security, at an extortionate price. In return, they sit in on shareholders' meetings and loudly shout agreement to board proposals. "They have made it hard to draw a demarcation line between legal and illegal activities," says Mr Miyoshi.

Managers who try to get rid of the mob often find themselves suddenly exposed to personal scandal or even danger. Three years ago, the managing director of Fuji Film, who happened to be responsible for shareholders' meetings, was stabbed to death with a samurai sword by a known gangster.

A less dangerous attempt to outwit the *sokaiya* is the unwritten agreement by Japan's top listed companies to hold annual meetings on the same day, usually towards the end of June, and to keep them short. Last year, 2,235 companies held their meetings on June 27 – average length just under 30 minutes.

However, while this tactic restricts the activities of the *sokaiya*, it gives shareholders little time to ask the searching questions typical of western annual meetings. That is why *sokaiya* are so widely held to be a feature of Japan's supposedly weak corporate governance.

In fact, this is misleading. Although some Japanese companies are in the thrall of gangsters, they are more accountable to shareholders than might at first appear.

"Governance lies elsewhere, with a stable network of long-term shareholders, who have a latent ability to control the company," explains Dr Paul Sheard, strategist at Barings Asset Management in Tokyo.

Leading Japanese companies arrange on average for two-thirds of their shares – according to stock exchange data – to be held by business partners, including banks, customers and their own affiliates. These big institutional shareholders are rarely seen at Tokyo annual meetings, but they can – and often do – form coalitions to intervene directly in times of crisis.

Instances of this are hard to cite because they are rarely announced, but the most frequent tactic is for a lead bank to put its own executives in charge of a troubled industrial partner. There is a parallel in the way in which a UK pension fund might press for management changes in one of the companies in which it holds a large chunk of shares.

But even if a Japanese relationship-based shareholder can intervene, it makes a more accommodating taskmaster than a western pension fund with its eye on the next quarter's earnings. That, rather than pay-offs to the mob, is what most distinguishes Japanese corporate governance, argues Mr Craig Chudler, strategist at Salomon Brothers Asia.

This distinction explains why attempts to tackle corruption have produced so little progress. Typically, the top man will resign to take the rap for deals with *sokaiya*. Mr Hideo Sakamaki, the president of Nomura Securities, has said that he might.

But while the face changes, the management style does not. Previous bosses who fell on their swords have been replaced by someone from the same company or corporate family, a consequence of the cosy shareholder relationships on which *sokaiya* feed.

That is exactly what happened after Nomura's previous president resigned in 1991 following the stockbroker's earlier scandal involving *sokaiya*. Out of respect for their former elders, the new bosses have been unwilling to make dramatic changes.

Mr Sakamaki, for example, reappointed the former president to the Nomura board only two years ago, a move which created speculation – now proved right – that the purge was less than wholehearted.

"This management inbreeding makes it very hard to deal with these problems," says Mr Chudler. "Western companies bring in outside management when they want real change."

This is something few Japanese companies are willing to do – Mazda's appointment of a Ford executive to the top slot last year was a rare exception.

Yet the fact that some of the clients to have deserted Nomura in the past few days are its own shareholders – including Nippon Life Insurance and affiliates of Sakura Bank – may be a sign that they want more than just a ritual gesture of management accountability. If so, the fall-out from these latest embarrassments might, as the Keidanren hopes, be a stage in the inevitably difficult transition to better corporate governance in Japan.

Ownership of banks and listed companies in Japan

Average % ownership, 1996

Type of shareholder	Banks	Other listed companies	All listed companies
Financial institutions	39.9	43.2	42.8
Other domestic corporations	43.1	20.7	23.6
Individuals	12.5	25.2	23.8
Foreigners	4.4	10.2	9.4

Source: National Council of Security Exchanges/Barings Asset Management

OBSERVER

Swim with de Swaan

■ More changes afoot in Basle following the appointment this week of Belgium's Alfons Verplaetse as chairman of the Bank for International Settlements. Dutch central bank director Tom de Swaan is tipped to take over as chairman of the influential Basle Committee of banking supervisors to which the BIS plays host.

If de Swaan does get the job he will be following in some famous footsteps. Previous Basle Committee chairmen include one-time New York Federal Reserve chief Gerald Corrigan and the Bank of England's Peter Cooke. The latter was the driving force behind the famous "Cooke ratio" capital adequacy standards which have shaped the international banking system since they were introduced in the late 1980s.

The vacancy arose earlier this month when the Italian government selected Tomasso Padoa-Schioppa – who narrowly missed out on the top job at the Bank of Italy last time round – to head Consob, the country's stock market regulator.

Padoa-Schioppa will be a hard act to follow. In four years in the Basle hot seat the tactful Italian helped bring together banking supervisors and their counterparts in the securities industry. Further rapprochement will be required if the committee is to finalise important – but hugely complex – rules covering both banks and securities companies.

Still, de Swaan seems to have the right background to carry on Padoa-Schioppa's good work. A well-known figure on the banking circuit, he's recently been in charge of international efforts to regulate financial conglomerates straddling banking, securities and insurance.

Waiting for Theo

■ German finance minister Theo Waigel insists Germany is heading for Emu but his personal pilot seems to have a less well developed sense of direction. Transporting his bushy-eyebrowed passenger to Lyon for yesterday's Franco-German economic summit, the navigator managed to land at the wrong airport.

Waigel's flying machine touched down at the city's civilian Satolas airport, rather than the military aerodrome designated for the VIP's arrival, where cars were waiting to pick up his entourage. The mix-up meant that the meeting, also attended by Bundesbank president Hans Tietmeyer, French Finance Minister Jean Arthuis and France's central bank governor Jean-Claude Trichet, started an hour late. If the French go ahead and insist on having their own time zone, perhaps such *faux pas* can be buried in the resulting confusion.

Cover-up

■ One of Sri Lanka's top police officials is in hot water for allegedly lending his uniform to a friend for a fancy dress parade. Mithra Ariyasinghe, the number two in the police force – and the head of the intelligence and security division – has been ordered to remain on leave after his uniform was discovered in the luggage of a doctor about to leave the country for India.

Gone for broke

■ By buying rival Johnson & Higgins, Marsh & McLennan has reclaimed its customary top spot in world insurance broking. After all, it was only back in December – when Aon grabbed *Alexander & Alexander* – that Marsh was deposed from the number one position after 29 years out in front.

Marsh & McLennan chairman Ian Smith will deny that it was ever his intention to knock Aon back into second place; all the same, the quietly-spoken Smith hopes to be able to retire in three years time having pulled off the kind of victory Admiral Lord Nelson would have been proud of.

A Marsh man through and through and a Scot by birth, Smith has been with the broker for 35 years. He has been *brushing-up on tactics* by reading historical novels based on the exploits of the British Navy in the Napoleonic Wars – material he describes as "suitably fascinating".

Name dropping

■ State Street Boston is the latest US financial institution to try to brush up its public image by ditching part of its name. After two years slaving away with brand consultants, the bank has unveiled a jolly new sailing-ship logo and dropped "Boston" from its title.

Still, Wall Street wags see room for further improvement. After all, State Street has left a gap between "State" and "Street". The real movers and shakers in US financial services – *led by BankAmerica and* NationsBank – have no truck with such old-fashioned notions.

But at least State Street has distanced itself from laggards in the name game like Bank of New York, which has only itself to blame for being known universally as "boney".

The Financial Times

100 years ago

Mutiny In Uruguay
Montevideo, 12th March. Orders have been given for the enrolment of the National Guard. A detachment of National troops has been defeated on the north-west frontier. A mutiny has broken out among the provincial police. It is rumoured that negotiations are in progress for the conclusion of an offensive and defensive alliance between Uruguay and Chile on the ground that *Argentina has* offered help to the revolutionary movement.

50 years ago

Rand Strike Confusion
After it had been officially announced in Johannesburg that the Rand labour trouble had come to an end yesterday, Reuter reported that some of the miners were refusing to sign on because the strike leaders were not being re-employed, while certain of the returning miners were informed by mine managements that there was no work for them at present and that they should re-apply in a few days. A *meeting* then took place between representatives of the South African Mining Unions' joint committee and officials of the Transvaal Chamber of Mines. Pending the outcome of this meeting, the majority of the strikers were not returning to work.

David Jones tumbles 50% to A$22m

By Nikki Tait in Sydney

David Jones, the upmarket Australian department store group, yesterday revealed that after-tax profits slumped 50 per cent to A$22.3m (US$17.7m) in the six months to January 25, and said it was "reassessing" its store portfolio.

It warned that while recent reductions in Australian interest rates should improve consumer confidence and lift spending levels in the months ahead, it did not expect "any material improvement in retail conditions in the second half".

The group said pre-tax profits in the second half would be down on the same period a year ago. First-half sales were static at A$782.6m.

News of the profits downturn came two days after Mr Chris Tideman, a former retail executive with the UK's Burton group, quit unexpectedly as David Jones chief executive. His departure is thought to have been triggered by investors' concern over the group's performance since its flotation on the stock market in 1995.

Mr Tideman had been attempting to give the chain – one of two big department store chains in Australia – a more modern image and increase its appeal to younger shoppers, but ran into a depressed retail environment.

David Jones's shares have been trading below the A$2 flotation price for the past year. They closed three cents lower at A$1.71 yesterday.

The company announced yesterday that Mr Peter Wilkinson, formerly a senior executive at Coles Myer, Australia's biggest retailer and more recently managing director of the Just Jeans specialist group, would replace Mr Tideman.

Mr Dick Warburton, David Jones chairman, who played a key role in orchestrating the management changes, said he did not believe the group's strategies had been wrong. But he continued: "I do believe we could have implemented them differently."

He said that about one-third of the group's 27 stores were performing "exceptionally well", and a further one-third "reasonably well". The remainder were "not producing shareholder value" and about half of those would be subject to particularly careful reassessment.

Before interest and tax, David Jones' overall profits were down from A$68.5m to A$45.7m, with profits from retail operations sliding from A$46.7m to A$27.2m.

Increased mark-downs, new store costs, higher depreciation and technology-related charges were blamed for the decline.

Comparable store sales fell 2.9 per cent.

Open skies cloud MAS outlook

The Malaysian airline is facing increased competition as it modernises its fleet

The disgruntled pilots of Malaysia Airlines (MAS), the national carrier, have long been the subject of dinner-table conversation in Kuala Lumpur. Though their complaints have been mild compared with some in the west, they are unusual in a country where industrial disagreements are rarely allowed to leave the boardroom.

This week, however, the airline put an end to four years of wrangling over pilots' wages by awarding a 27 per cent raise to 1,074 of its 1,200 pilots. The three-year agreement is retroactive to September 1995 and will cost the airline M$43m (US$17.6m), executives said.

But although the settlement may ease some of the company's troubles, others remain. The carrier is expanding its fleet despite large debts, falling profit margins and in-flight service standards which are coming under increased criticism, analysts say.

Mr Wan Malek Ibrahim, managing director, said this week that the company would have to pay US$2.1bn to buy 15 Boeing 777-200Xs, for which it signed a memorandum of understanding with Boeing last week. The company has also ordered 10 Boeing 747s, and the total bill is expected to be about M$10bn.

The aircraft should be delivered over the next five years, meaning the company will have to spend roughly M$2bn on new aircraft every year, a company executive says. He adds that in addition to this expenditure, which could be delayed if payments become difficult, the company is expected to contribute M$1bn to the capital expenditure budget for the new Kuala Lumpur International Airport, scheduled to open in January 1998.

Some analysts are worried that this level of capital expenditure will add to a large total debt, estimated at M$6.8bn. Because the company's share price remains below the M$7 at which it raised funds from the stock market last year, it seems likely the airline will have to take on more debt. Debt currently stands at about 168 per cent of shareholders' equity.

"There has been a lot of talk that the 25 aircraft which have been ordered will be too much for us. But this is not the case," Mr Bashir Ahmad, the airline's senior vice-president in charge of commercial operations, said recently.

He outlined a plan under which the airline hopes to cover some of its capital expenditure costs through selling off the ageing aircraft in its fleet, especially Boeing 737s. The company also hopes to lower costs by deploying more wide-bodied 747s to replace 737s on routes such as Kuala Lumpur-Singapore and Kuala Lumpur-Kuching.

Since privatisation in 1994, the main achievement of Mr Tajudin Ramli, the airline's chairman, has been cutting costs by keeping his aircraft in the air for longer. While this irked pilots forced to work longer hours, it has also reduced the break-even load factor from 69.2 per cent in the six months to September last year to 66 per cent currently, company officials say.

Challenges lie ahead, however. There remains a shortage of trained Malaysian pilots, meaning that foreigners are employed on packages which – even with the pay rise – outstrip local pilots' wages. Cabin crew are also in short supply and trained crew are often poached by other corporations in Malaysia also suffering from a chronic nationwide labour shortage.

But a more serious problem is tha airline's inability to raise domestic air fares by a required 10-15 per cent because of government concerns that such a rise would fuel inflation and put air travel beyond the reach of a segment of the population. Domestic operations are still loss-making, executives say.

"I think domestic fares are way too low. I think the government will be more amenable in the future," Mr Bashir said.

In addition, as global competition appears set to intensify with the signing of several "open skies" agreements, the marginal routes MAS is obliged to operate to further the government's diplomatic endeavours are a further strain. Flights to Buenos Aires and Beirut, for example, have poor load factors, and there is likely to be little passenger demand if the airline bows to official pressure and starts flights to Zagreb, the Croatian capital.

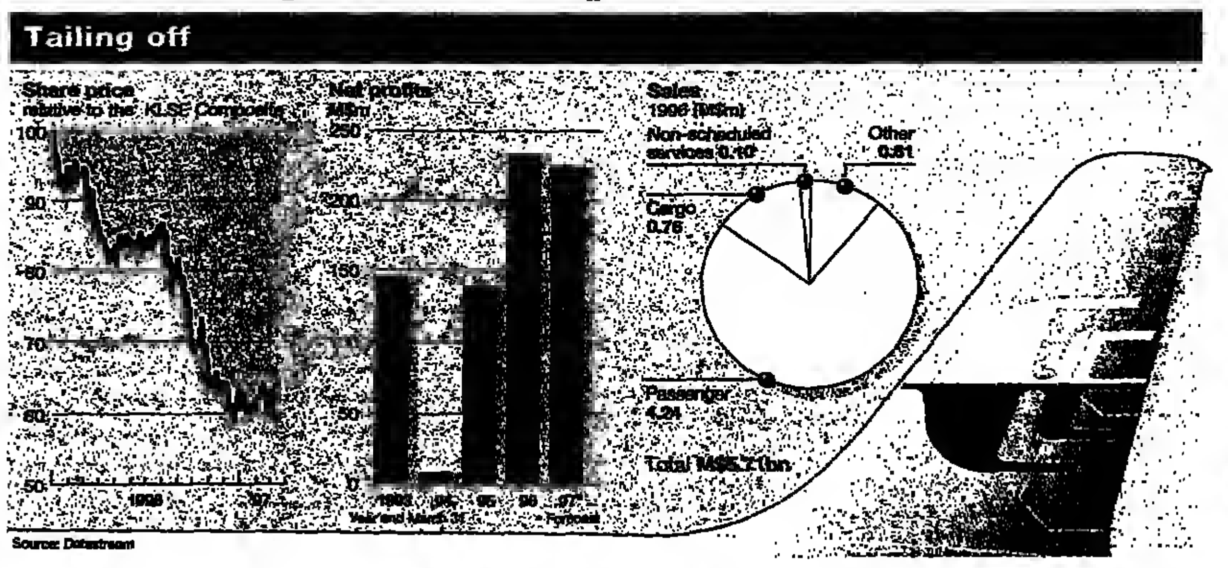
The new airport should prove a much-needed boon to the airline, allowing it to start many new international routes. It should also help woo back the many Malaysian travellers who currently use Singapora's Changi airport.

However, there are also fears that the airport may act as a Trojan horse for foreign competitors.

Malaysia is sign an "open skies" deal with the US by May, paving the way for unlimited use of landing slots by foreign carriers. But while the current, overcrowded, international airport acts to thwart such an influx, the new one will have slots to spare – increasing the prospect of competition.

James Kynge

Tailing off



Source: Datastream

Profits at Daiei 96% below forecast

By Jonathan Annells in Tokyo

Daiei, the Japanese supermarket chain which was at the forefront of the "price destruction" discounting trend in the early 1990s, said recurring profits for the year to March were 96 per cent below its previous forecast.

The Osaka-based company said recurring profit would total just Y500m ($4.1m), compared with a previous estimate of Y13bn.

Without sales of some of its shareholdings, including 2.5m shares in the Takashimaya department store, the company would have been in the red.

Daiei blamed slow sales of winter clothing caused by a milder than average winter. It cut its estimate of full-year sales from Y2,520bn to Y2,505bn.

Mr Masahiro Matsuoka, analyst at BZW in Tokyo, was surprised that Daiei had not changed its forecast earlier, since it suffered a 10 per cent year-on-year drop in first-half sales.

"The big difference between Daiei and other companies is product range," he said. "Since 1995, consumers' behaviour has changed again and they are switching beck to brand names, not cheap brands. But Daiei has stuck with them and its own Savings brand."

The company was also burdened with unprofitable subsidiaries which needed restructuring, and did not leave money for restructuring at parent level.

ASIA-PACIFIC NEWS DIGEST

Santos earnings leap 40% in year

Shares in Santos, the Australian energy group, jumped 5 cents to A$5.03 yesterday after it announced a 40 per cent increase in after-tax profits for the year to end-December, to A$195.9m (US$155.2m). Earnings per share were up 40.4 per cent, at 36.5 cents, while total revenues increased 8.4 per cent, to A$814.5m. There were no abnormal items in 1996.

Mr Ross Adler, Santos managing director, said the result was due to record production and sales revenues, coupled with higher prices and lower exploration write-downs. The effect of the stronger Australian dollar on sales revenue was largely offset by foreign exchange gains on US dollar debt. The result was also boosted by contributions from assets recently acquired from Parker and Parsley, the US-based independent, and MIM, of Australia. Reserves increased during the year by 157 barrels of oil equivalent, to 860m boe, while spending on exploration rose 37.8 per cent to A$121.1m.

Santos said it expected after-tax profits in 1997 to be comparable to the year just ended "subject to no material change in oil prices, exchange rates and interest rates". Production, it added, should also be in line with 1996's record volumes. *Nikki Tait, Sydney*

Indofood stake for Sampoerna

The controlling shareholder of Hanjaya Mandala Sampoerna, one of Indonesia's leading clove cigarette manufacturers, has acquired a 5.63 per cent stake in Indofood Sukses Makmur, the country's largest noodle manufacturer. H.M. Sampoerna said the acquisition by Mr Putera Sampoerna was made in a personal capacity.

The purchase comes as Indofood plans to acquire 11 companies, including one of the country's largest distribution companies and six plantation groups, in the face of strong resistance from minority shareholders. Indofood is majority-controlled by the Salim Group, Indonesia's largest conglomerate. Mr Sampoerna's acquisition makes him the largest non-Salim shareholder in the company. *Manuela Saragosa, Jakarta*

St Barbara woos Mt Leyshon

The troubled St Barbara Mines is making an all-share offer for Mt Leyshon Gold Mines, a fellow Australian goldminer in which Normandy Mining, Australia's largest gold producer, has a 75.6 per cent stake. It said that the deal would create a "significant" gold company, with annual production of around 350,000 ounces, which would appeal better to domestic and international investors. If successful, the offer, an exchange of 32 St Barbara shares for every 10 Mt Leyshon shares, would reduce Normandy's stake in the combined group to 41.3 per cent. St Barbara said yesterday that in preliminary discussions Mt Leyshon had said it would be "receptive" to an offer. *Nikki Tait*

Delta Gold up 45% halfway

Delta Gold, the Australian mining group which owns 33 per cent of the Hartley platinum mine in Zimbabwe alongside BHP, yesterday posted a 45 per cent increase in profits after tax in the six months to end-December, to A$10m (US$7.9m). It also paid out its first dividend, of 1.5 cents a share. *Nikki Tait*

Arnotts slides to A$8.5m

Arnotts, the Australian food manufacturer 70 per cent owned by Campbell Soup, of the US, yesterday confirmed that profits fell to A$8.5m (US$6.7m) after tax in the six months to January 24, compared with A$38.7m a year ago. Revenues slipped from A$358.5m to A$344.5m. The group blamed a change in the year-end from December to January and the costs of commissioning a new plant. But it also said its core biscuit market had been flat. *Nikki Tait*

Cathay beats expectations

By Louise Lucas in Hong Kong

Cathay Pacific Airways, Hong Kong's de facto flag carrier, yesterday beat market expectations by reporting a 27.9 per cent rise in annual net profits from HK$2.98bn in 1995 to HK$3.81bn last year.

However, the bottom line figures includa a HK$541m exceptional gain and lower tax bill. Growth at the operating level was a more marginal 0.6 per cent, from HK$3.77bn to HK$3.79bn.

Mr Peter Sutch, chairman, said the results were satisfactory given adverse currency rates, higher fual costs and competition. He highlighted the airline's efforts in cost control, which belped reduce interest costs.

The exceptional item, relating to Cathay Pacific's share from the sale of Dragonair, Hong Kong's regional carrier, stemmed from a restructuring in the territory's aviation industry unveiled last year.

Under that reorganisation, Cathay Pacific sold a 12 per cent stake in Dragonair to CNAC, the commercial arm of the Chinese aviation regulator. The UK-controlled Swire group saw its holding in Cathay reduced from 52.6 per cent to 44 per cent following a share placement takan up by Citic Pacific. The latter, the Hong Kong arm of China's flagship investment company, lifted its stake in Cathay from 10 per cent to 25 per cent.

Yesterday Mr Sutch called the restructuring a welcome move which created more stability and certainty within the industry. Analysts are more wary, and caution that Dragonair with its powerful backer – responsible for allotting routes in China – stands to become a leading competitor.

Looking ahead to 1997, Mr Sutch said challenges remained with yields staying under pressure, continuing problems on exchange rates and high fuel prices. The weak yen last year depressed passenger yields, although this was partially offset by an increased passenger load factor of 2.4 percentage points.

The airline would meet these challenges from a position of strength, he said, with a new and more efficient fleet and the opportunities offered by Hong Kong's new airport due to come into servica in a year'a time.

Cathay has now invested more than US$1bn in the new airport on Lantau island which is expected to relieve heavy congestion at the existing facility. It will ultimately have two runways and no night time curfew, eliminating the current jockeying among carriers for slots.

Mr David Turnbull, chief executive, warned that while the new airport offered exciting prospects, charges would remain competitive if Hong Kong was to fend off competition from other hubs in the region.

While the results were above expectations, analysts were cautious on upgrading 1997 forecasts. The stock has underperformed the market by 27 per cent in the past year.

Earnings per share for the carrier rose 15 per cent, from HK$1.04 to HK$1.19 last year. Excluding the exceptional item, earnings dipped 1 per cent from HK$1.04 to HK$1.02. The dividend was lifted 10.4 per cent, from 48 cents to 53 cents.

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IN BRIEF

Intel announces Internet venture

Intel, the leading supplier of personal computer chips, joined with Société Européenne des Satellite, the Luxembourg operator of the Astra European satellite TV system, to create a venture aimed at delivering Internet content to PCs in Europe. Page 22

Cathay Pacific beats expectations
Cathay Pacific Airways, Hong Kong's de facto flag carrier, beat market expectations by reporting a 27.9 per cent rise in annual net profits from HK$2.96bn in 1995 to HK$3.81bn ($491m) last year. Page 18

Krupp Hoesch net profits fall 59%
Krupp Hoesch, the German steel and engineering group which has undergone a radical restructuring in recent years, registered a 59 per cent fall in net profits, from DM505m to DM208m ($122m) for 1996. Page 20

Pay for Wall Street executives at record
Compensation for top Wall Street executives in 1996 reached new highs, according to company proxies filed in recent days. While base salaries remained a small proportion of total remuneration, bonuses and other performance-related pay soared. Page 22

America Online to branch out
America Online, the US-based information provider, plans to branch out from the Internet and distribute its services through television or other media. Steve Case, chairman, said his group was likely to make announcements later this year on pilot programmes. Page 22

BP to reach profit target early
British Petroleum's target to raise underlying annual profits to $1.5bn by the end of the decade will be reached at least a year early, largely because of a sustained 5 per cent a year expansion of oil and gas production. Page 23

Another remarkable gold month
February was another remarkable month in the gold market, with deals worth $14bn cleared every working day in London – the international settlement centre for gold bullion. The total of 40.3m troy ounces, or 1,253 tonnes, topped that of January. Page 26

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			PARIS (FFr)		
[illegible]	1287.5	+ 18.5	[illegible]	824	- 18
[illegible]	951.5	+ 7.5	[illegible]	243	- 14.8
[illegible]	549	+ 14	[illegible]	341	- 12
[illegible]	402	- 13	[illegible]	780	- 37
[illegible]	445	- 10	[illegible]	453	- 14.8
[illegible]	753	- 12	[illegible]	541	- 19
NEW YORK ($)			TOKYO (Yen)		
[illegible]	46¾	+ 5	[illegible]	496	+ 18
[illegible]	13¾	+ 2	[illegible]	978	+ 19
[illegible]	63¾	+ 5¼	[illegible]	480	- 22
[illegible]	18¾	- 3¾	[illegible]	738	- 30
[illegible]	83¾	+ 8	[illegible]	233	- 18
[illegible]	15⅝	- 2¾	[illegible]	895	- 35
LONDON (Pence)			HONG KONG (HK$)		
[illegible]	220	+ 18½	[illegible]	26.9	+ 0.55
[illegible]	287½	+ 24	[illegible]	29.0	+ 0.7
[illegible]	717½	+ 62½	[illegible]	43.1	- 1.8
[illegible]	178½	- 14	[illegible]	33.0	- 1.7
[illegible]	415½	- 42½	[illegible]	53.0	- 1.25
[illegible]	405	- 20	[illegible]	15.2	- 1.8
TORONTO ($)			BANGKOK (Baht)		
[illegible]	8.25	+ 0.85	[illegible]	64.0	+ 5.5
[illegible]	59.0	+ 4.5	[illegible]	132.0	+ 12.0
[illegible]	8.5	+ 0.5	[illegible]	92.5	+ 4.5
[illegible]	10.5	- 1.3	[illegible]	23.5	- 2.5
[illegible]	2.5	- 0.50	[illegible]	33.75	- 3.75
[illegible]	2.36	- 0.65	[illegible]	36.5	- 4.25

New York and Toronto prices at 12.30pm.

Hoechst scraps plan to spin off drugs unit

Shares lose 8% as group abandons scheme and makes quarterly loss


Hoechst chief Jürgen Dormann speaks to reporters at the company's annual news conference in Frankfurt yesterday Reuter

By Jenny Luesby in Frankfurt

Shares in Hoechst, the world's largest drugs and chemicals group, tumbled 8 per cent yesterday after the group revealed it had abandoned plans to seek a separate listing for its pharmaceuticals business.

It also revealed fourth-quarter results well below expectations and warned of further restructuring charges this year.

The German group's shares, down DM6.06 to DM69.14 yesterday in Frankfurt, had been pushed ahead by its declared plans to split itself into drugs and chemicals companies and list them separately.

Pharmaceuticals companies are traditionally far more profitable than chemicals companies, and their shares usually attract a higher rating. For conglomerates spanning both activities, the value of the drugs business tends to be disproportionately diminished by the chemicals business.

Last year Hoechst said a public offering for HMR, its drugs business, was a priority and hinted at a listing as early as this year. However, yesterday, Mr Jürgen Dormann, chairman, said the group no longer planned to list HMR. It would still seek a drugs industry rating for its shares, but aimed to achieve it by emphasising life sciences within the Hoechst group, rather than by spinning them off.

The group's life science businesses, which include AgrEvo, the agrichemicals joint venture with Schering, would grow faster than its other activities, Mr Dormann said.

Also, Hoechst's financial flexibility had been improved following its speciality chemicals joint venture with Clariant of Switzerland. Under the deal, Clariant will assume DM3bn ($1.7bn) of Hoechst debt. It was also negotiating credit of several billion D-Marks with its banks.

Meanwhile, the group plans to accelerate its exit from chemicals. It has already agreed joint ventures with the German groups Wacker and BASF for two of its plastics businesses, and is negotiating a third with British Petroleum.

Yesterday, it announced a joint venture with US group Dade International for its Behring diagnostics business in which it would retain only a 32 per cent minority stake.

Increased fourth-quarter sales and profits in HMR were more than offset by declines in the fibres, plastics and basic chemicals businesses. A surprise DM400m restructuring charge resulted in a loss for the quarter.

Full year sales fell 2 per cent to DM50.93bn. Operating profits increased by 12 per cent to DM4.01bn, flattered by a DM710m gain on disposals, including exceptionals, pre-tax profits were DM5.28bn, compared with DM4.09bn last time.

Lex, Page 16
World stocks, Page 36

Markets cautious on Russia's D-Mark bond issue

By Edward Luce in London and Andrew Fisher in Frankfurt

European bond traders yesterday expressed reservations about the timing of today's debut Russian D-Mark bond issue which they say coincides with the rockiest period so far this year for emerging market debt.

Russia's DM1.5bn ($882m) eurobond, which is expected to be priced to yield between 3.25 and 3.75 percentage points above German government bonds, follows the poor reception given to other emerging market bond issues in the past fortnight.

Worries about a possible rise in US interest rates at the Federal Reserve's meeting on March 25 have sharply depressed emerging market bond prices.

The average yield spread – or risk premium – paid on emerging market debt over US Treasuries has widened from 390 basis points to 450 basis points in the past few days, though it has improved on the 500 basis points it had reached 10 days ago. A basis point is a hundredth of a percentage point.

"This is unfortunate timing," said one bond analyst in London yesterday. "Russia will have to price the issue quite generously if it is going to get a good reception from investors."

The issue is jointly managed by Credit Suisse First Boston and Deutsche Morgan Grenfell. Traders said they expected the offering – Russia's second eurobond since it launched a $1bn five-year bond in 1996 – to give investors an annual coupon of almost 9 per cent a year for investors or up to 3.75 percentage points more than seven-year German government bonds. "If the coupon is as high as 9 per cent then investors could not ignore it," said a syndicate official in London. "The markets after all cannot ignore the return of President Boris Yeltsin to political health."

At a roadshow for the bond in Frankfurt yesterday, Russian officials said that Russia also planned to issue a further $2bn in eurobonds in the next few months.

Mr Mikhail Kasanyov, deputy finance minister, said that after the D-Mark issue most borrowings in 1997 would be in dollars. However, other currencies, including D-Marks, were being considered.

He also said he hoped international rating agencies would upgrade their assessments of Russia's creditworthiness.

Capital markets, Page 24

SBC outpaces rivals to raise income by 21%

By William Hall in Basle

Swiss Bank Corporation, Switzerland's third-largest financial group, increased its operating income in 1996 by 21 per cent to SFr10.75bn ($7.30bn), helped by strong growth in fees, commissions and trading income, as the group took advantage of buoyant financial markets.

The growth in income was faster than that recorded by Union Bank of Switzerland and Credit Suisse, SBC's bigger rivals, and the 15 per cent growth in personnel expenses, to SFr4.2bn, was less than that of the other two. Like its rivals, the group recorded an overall loss for the year because of a large provision – SFr1.9bn in SBC's case – for bad loans and restructuring.

Earnings were boosted by strong growth at both SBC Warburg, its investment banking arm, and its fund management operation SBC Brinson. SBC's shares, which had already risen by a fifth this year, rose a further SFr7 to SFr310.

SBC Warburg, which raised pre-tax profits by 54 per cent to SFr1bn, disclosed a breakdown of its earnings among its main business for the first time, showing strong performances in both its equities and fixed income operations.

SBC Warburg also confirmed that it was being investigated by UK financial regulators over an incident last October in which it mishandled the sale of £300m ($489m) of European shares on behalf of a British investment trust.

The mistake is thought to have cost SBC Warburg no more than £5m, but led to the departure of two members of staff, including Mr Peter Corrigan, head of French equities, and the disciplining of several other staff members.

Mr Marcel Ospel, SBC's chief executive, said that overall results showed it was strengthing its earnings capacity and not just relying on cost-cutting.

The domestic Swiss retail arm reduced its losses from SFr182m to SFr116m.

Analysts agreed that SBC had started to show an improvement in quality of earnings and had curbed costs better than rivals.

Mr Ospel said private banking, which increased profits by 19 per cent to SFr1.3bn remained the "strongest profit driver" in the group. SBC Brinson separately increased its profits by 81 per cent to SFr111m, partly due to strong markets.

SBC embarrassment, Page 19
Results, Page 19

Swissair to act on losses at Sabena

By Neil Buckley in London

Swissair said it would probably write down to zero its $210m investment in a 49 per cent stake in Sabena after the Belgian airline announced 1996 losses exceeding all expectations.

The Swiss carrier said the decision, expected to be approved at a board meeting next month, would enable it to avoid consolidating Sabena's losses in its group results.

Mr Philippe Bruggisser, Swissair chief executive, said yesterday Sabena remained "important" to Swissair, but there were "no guarantees that Swissair will hold its stake in Sabena permanently".

Swissair, which made its investment in July 1995, warned previously it would examine Sabena's first-half 1997 results in July to ensure they were in line with projections.

Sabena has been dogged by rumours in Belgium that Swissair was preparing to withdraw from its investment, or even break Sabena up and share its routes between itself and its partner airlines including Delta of the US and Austrian airlines.

Sabena reported that consolidated losses jumped from BFr1.66bn ($47m) in 1995 to BFr8.87bn last year – more than twice industry forecasts.

But the airline said BFr4.1bn of the losses were exceptional costs, partly related to its restructuring.

Mr Paul Reutlinger, Swissair-appointed chief executive, said the results were "disappointing", but did not mean the "Horizon '98" costcutting programme was failing.

The plan aims to return Sabena to profit by next year, by cutting some BFr4.7bn from annual operating costs – half from operation improvements and half by cutting employee costs through a reduction in the workforce and more flexible working.

Mr Reutlinger said operating losses of BFr4bn last year reflected both higher-than-expected costs and disappointing passenger figures.

Costs were pushed up by the need to lease additional capacity for new routes, delays in achieving planned cost cuts, increased fuel prices, and an unexpected Airbus A310 maintenance programme.

MasterCard chief to run BankAmerica retail arm

By John Authers and Tracy Corrigan in New York

BankAmerica, the third largest US bank, has lured MasterCard's chief executive Mr Eugene Lockhart to run its retail banking network of more than 2,000 branches in 11 western states.

The appointment ends five months of uncertainty at BankAmerica, since the announcement last October that its two most senior retail bankers, Mr Thomas Peterson and Mr Luke Helms, were to leave the company.

Mr Lockhart, who led MasterCard's advance into smart card technology through its stake in Moodex, will now have to grapple with the bank's huge branch network, including more than 1,000 branches in California alone.

As president of BankAmerica's global retail bank, a newly created position, he will report directly to Mr David Coulter, the company's chairman and chief executive, whose background is in corporate banking. The bank said that other areas of business would also fall under Mr Lockhart's jurisdiction as the company "evolves to a basic retail/wholesale structure."

BankAmerica already has a strong wholesale presence in foreign exchange and loan syndication and wants to develop its investment banking.

In its West Coast retail base, BankAmerica faces a strong challenge from Wells Fargo of San Francisco, which last year bought Los Angeles-based First Interstate and has embarked on an aggressive branch closure programme. Wells Fargo has decided to concentrate on online banking and supermarket outlets.

Mr Coulter hinted at Lockhart's task when he commented on the appointment, saying: "He's especially adept at guiding financial services businesses through technological change."

Last year the bank took a $280m restructuring charge to cover the closure of 120 full service branches in California, and there is speculation on Wall Street that a more radical restructuring will prove necessary. BankAmerica's retail bank includes consumer and small business assets of $91bn and deposits of $96bn.

While at MasterCard, Mr Lockhart led efforts to use technology to diversify from its core credit card business, experimenting with electronic cash cards. Last month, it completed its acquisition of a 51 per cent stake in London-based Mondex International.

Observer, Page 15

Viénot calls for break-up of Lyonnais

By Andrew Jack in Paris

The chairman of Société Générale, the French banking group, yesterday called for Crédit Lyonnais, its state-owned rival, to be sold in segments in an effort to avoid a huge additional recapitalisation.

Mr Marc Viénot argued that Crédit Lyonnais's Asian activities, its domestic network and other activities should be sold separately to raise money, as an alternative to the latest injection of state aid which could amount to at least FFr30bn ($5.2bn).

His comments came as new estimates discussed by the French national assembly finance commission suggested the total cost to taxpayers of rescuing Crédit Lyonnais could run to FFr130bn.

Mr Viénot, who has launched legal action in the European court of justice against previous state aid packages, of nearly FFr50bn, in the past two years for Crédit Lyonnais, has been a long-standing critic of the restructuring measures taken by the French government.

The chairman of Société Générale, who is expected to hand over control to Mr Daniel Bouton, the managing director, in the coming months, also yesterday unveiled net income for his own bank in 1996 up 19 per cent to FFr4.5bn, on net banking revenues up 9 per cent to FFr43.1bn.

He said the figures showed that even in France, characterised by competitive distortions and intense pressure for business, it was possible to operate a domestic retail network profitably with "rigorous, dynamic" management.

Mr Viénot defended the price that Société Générale had paid to purchase Crédit du Nord, the retail banking arm of Paribas, in a transaction which was finalised this week for FFr2.2bn.

Provisions against lending were almost unchanged at FFr4.8bn, but the group took FFr600m in exceptional charges, including FFr500m to cover the cost of preparations for the single European currency.

Separately yesterday, the Caisse d'Epargne, the French savings bank network, reported net income for the year up 11 per cent to FFr1.8bn on banking revenues ahead 5 per cent to FFr27.6bn.

Retained profits helped boost the capital of the group 4.4 per cent to FFr64.8bn for the year, giving it a return on equity of 4.4 per cent, compared with 8.7 per cent for Société Générale.

Its lovreturn has been at the centre f criticisms launched by the ammercial banks of the group.

Howeur, Mr René Barberys, chairmaof the Caisse d'Epargne, said he ould be satisfied with a return o equity to those with a stake in s network of about 4 per cent, conderably below the objectives forrance's banks and other quoted copanies.

The irease in profits came in spite of sharp decline in deposits from th Livret A government-backed t-free savings scheme, in the wakof a cut in the interest rate earlast year.

German group in talks on phone projects

By Ralph Atkins in Hanover

Mannesmann, the German industrial conglomerate, is in talks on up to 15 mobile telephony projects around the world, which would build on the strong performance of its mobile interests in Germany.

The expansion plans come as Mannesmann gears up its telecoms activities for full liberalisation of the German market next year. Yesterday, Mr Peter Mihatsch, board member with responsibilities for telecommunications, fired the latest shot in an increasingly vocal row with Deutsche Telekom.

Speaking at the CeBit computer and telecommunications fair in Hanover, Mr Mihatsch warned that disputes over "interconnection" arrangements with Telekom would be taken to the European Commission if a satisfactory deal was not struck within Germany.

The international expansion in mobile phones would add to Mannesmann's existing mobile interests in Japan, Italy and Brazil. The aim is to exploit the expertise gained in building up D2, now Germany's largest mobile phone network, with 2.5m users.

Mannesmann also plans to expand its telecoms activities through a deal with Deutsche Bahn, the German railway operator. Mannesmann Arcor – of which 50.2 per cent is held by Deutsche Bahn and the remainder by a consortium led by Mannesmann – plans to build a fixed network to rival Deutsche Telekom's.

However, Mr Mihatsch warned that the speed at which Mannesmann was becoming a full service provider to all clients would depend on relations with Deutsche Telekom.

He expressed alarm that the German federal government had yet to announce details of the new regulatory authority, planned to come into operation from next January. "We may have some time early next year in which there is no effective regulation," he said.

Viag, the Munich-based industrial conglomerate which has ambitions in telecommunications, said it would follow Mannesmann to Brussels if a satisfactory deal between Deutsche Telekom and its new competitors over interconnection was not agreed.

Grolsch shares slide on gloomy outlook

By Gordon Cramb in Amsterdam

Shares in Grolsch, the Dutch maker of premium beers, slid more than 20 per cent yesterday as it produced only a 1.8 per cent rise in net profits for last year to Fl 59.9m (US$31.5m) and warned of a downturn in the current year.

It blamed the poor outlook on intensified price competition in a shrinking beer market in north-west Europe. At Fl 74, the shares ended Fl 15 lower, while stocks in the much larger and more internationally diverse Heineken shed Fl 20.80, or more than 6 per cent, to Fl 317.20. Heineken is due to report its annual results tomorrow, having shocked the market at the halfway stage by making a similar gloomy pronouncement.

In spite of a successful push into Poland and strong exports, Grolsch still derives more than half its volume sales within the Netherlands, where the industry association said this week beer demand fell 2.1 per cent in 1996.

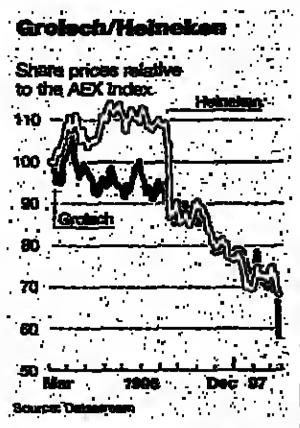
Mr Paul Snoep, chairman, while declining to specify market share, said his company's sales suffered less than the average. But he added that in the UK, where it controls Ruddles and has a distribution joint venture with Bass, "there appears to be no stopping the downward trend" in consumption, off 1 per cent last year.

However, the Bass tie-up produced a satisfactory increase in sales and broke even. "Now, the emphasis is more on margins ... we're on the right track," Mr Snoep added.

However, for Grolsch as a whole he described the second half as very disappointing after a favourable start to the year, as a poor summer took its toll. Even if northern Europe had a "normal" summer this year, Grolsch said it did not expect to match the 1996 result.

Revenues rose 7.3 per cent to Fl 676.8m. A contribution from its 25 per cent stake in Brewpole, operator of Poland's leading brewery, was consolidated for the first time. But this was almost entirely offset by the effects of a switch in US distribution to Seagram. The modest earnings increase was achieved only because of a Fl 9.2m pre-tax credit paid for distribution rights by an unnamed overseas partner.

Helped by equity buybacks to cover convertible bonds, earnings per share improved from Fl 3.52 to Fl 3.71, and the dividend is held at Fl 1.48. No such repurchases are planned this year.



Krupp Hoesch profits fall 59%

By Sarah Althaus in Frankfurt

Krupp Hoesch, the German steel and engineering group which has undergone a radical restructuring in recent years, yesterday registered a 59 per cent fall in net profits, from DM505m to DM208m ($122m) for 1996.

It blamed the decline on weak economic conditions, which had hit its core steel activities particularly hard.

However, the group forecast an improved performance this year and said it would keep its promise of a dividend for 1996.

The payout would be unchanged at DM5, marking only the second dividend since Krupp Hoesch became a joint stock company in 1992.

It attributed its confidence for the current year to an expected upturn in European steel demand and to positive effects resulting from restructuring of its steel activities.

Pre-tax profits dropped 48 per cent to DM336m, while turnover edged up 2 per cent to DM24bn, mainly because of the first-time consolidation of AST, the Italian specialist steelmaker, Uhde, the plant specialist, and Bachmann, the shipping company. Net earnings per share fell from DM26 to DM18.

The results matched analysts' expectations but the shares slipped DM1.3 to DM29.5 in a broadly weaker market.

The company, the world's leading producer of stainless steel, said all divisions, excluding steel, had reported a profit before tax.

The steel sector, which in 1995 contributed almost half the group's pre-tax profits, was hit by extraordinary charges connected with its restructuring.

Krupp-Hoesch has said it expects to cut 2,200 jobs in steel over the next few years.

Lauda Air sells stake to rival

By Eric Frey in Vienna

Austrian Airlines (AUA) is to buy 36 per cent of rival carrier Lauda Air and take strategic control.

Mr Rudolf Streicher, chairman of AUA's supervisory board, said yesterday the airline would buy half of the 40 per cent stake held by Lufthansa, the German airline, and another 10 per cent from Mr Niki Lauda, the former world motor racing champion who founded Lauda Air in 1979. Mr Lauda will keep 30 per cent and stay as chairman. The remaining 6 per cent will come from another shareholder.

No value was given for the transaction, but based on Lauda Air's stock price the airline is worth just under Sch500m (US$41.6m). AUA had pre-tax profit of Sch65m on sales of Sch13.3bn in 1995, while Lauda Air the figures were Sch47.5m and Sch2.7bn, respectively. Figures for 1996 have not yet been released.

The announcement surprised analysts, as previous efforts to combine state-controlled AUA with its smaller competitor had failed. Mr Lauda started with charter flights but moved on to compete against AUA on regular European and overseas routes. As AUA also controls the regional carrier Tyrolean Airways, the transaction brings together all three Austrian air carriers.

Lufthansa said it would keep a 20 per cent stake in Lauda Air. The joint shareholding may pose problems, as AUA and Lufthansa have a history of failed merger talks. AUA also co-operates with Swissair, Sabena and Delta in a link-up which directly competes with Lufthansa and its international partners.

• Lufthansa said yesterday preliminary pre-tax profits fell about 10 per cent to DM756m ($443m) last year, mainly because of higher fuel costs, writes Sarah Althaus in Frankfurt.

WorldCom in Europe push

By Alan Cane

WorldCom, a newly formed international telecommunications operator, is investing $200m to build a pan-European fibre optic network including cables linking the UK with the Netherlands and France.

It says substantial new transmission capacity will be necessary by 2000 for Internet and multimedia.

The network is expected to connect London, Amsterdam, Brussels, Frankfurt and Paris later this year. It follows the launch last year of a project – Gemini – to lay a high capacity cable between London and New York. In October last year, Cable and Wireless of the UK took a half share in the $700m project.

Mr Colin Williams, president of WorldCom International said: "A pan-European network will enable WorldCom to offer customers a single source for their communications needs, with an integrated set of services including voice, data and the Internet."

The current network building projects will have cost $1bn by the time they are finished. WorldCom believes owning infrastructure is essential to guarantee low prices and ensure network management.

WorldCom, which now operates in more than 50 countries, was formed last year from WorldCom, the fourth largest US long-distance carrier, and MFS, another US telecommunications carrier, which is building fibre optic loops around Europe's principal financial centres. It thus combines long-distance transport with local access. Analysts have hailed it as heralding a new breed of international operator.

The new network is designed to position WorldCom to challenge for a bigger share of European telecoms business when it is fully liberalised next year.

Minorco beats expectations with $396m

By Kenneth Gooding, Mining Correspondent

Minorco, the Luxembourg-listed natural resources group, yesterday reported a 9 per cent increase in earnings before exceptional items to a record $396m, well ahead of expectations.

Mr Hank Slack, chief executive of the group, which is 60 per cent owned by Anglo American and De Beers of South Africa, said prospects for 1997 were "positive" because of a bright outlook for metals prices, particularly zinc.

He said increased production of gold, copper and newsprint last year offset the general price weakness in industrial commodities.

Minorco is to cut the workforce and infrastructure at its Morro Velho gold operations in Brazil and is making an exceptional charge of $119m for this in the 1996 results.

It warned that operations at the Hudson Bay zinc-copper complex in Canada might end in 2004, despite a marked improvement under new management last year. Operating losses were cut from $22m to $8m, but no new resources have been found in spite of an intensive exploration effort.

Minorco is making an exceptional charge of $161m for writing down these assets.

The exceptional charges were partly offset by profits of $247m on disposals, but net earnings fell from $365m, or $1.63 a share, to $336m, or $1.50. The dividend is held at 53 cents. Mr Slack said this was because the group faced record $1bn capital expenditure this year, up from $674m last year.

Minorco was looking at details of the partial privatisation of CVRD, the Brazilian mining and industrial group, with a view to a joint bid with Anglo American, Mr Slack said.

The Terra agribusiness in the US was the biggest contributor to operating earnings, at $312m, down from $331m, followed by industrial minerals at $138m compared with $93m.

EUROPEAN NEWS DIGEST

State veto to stay on Thomson-CSF

The French state is to retain a veto over significant changes in the ownership of Thomson-CSF, the defence electronics giant, after its privatisation later this year. This became clear yesterday with publication of the detailed conditions regarding the sale. Bidders are being asked to make preliminary offers by March 28, with a winner expected to be chosen by June 30.

The process is expected to pit Alcatel Alsthom, the telecoms and engineering group, against the Lagardère conglomerate in a repeat of the abortive contest last year, when the government tried and failed to sell the entire Thomson group. Alcatel last night confirmed it would make a joint offer for Thomson with an arm of Dassault, the aircraft maker. Its announcement came a day after the authorities decided to exclude Aerospatiale, the state-owned aircraft maker expected soon to merge with Dassault, from being a candidate in the sale, either alone or in a joint bid. This was initially portrayed as a blow to Alcatel. It emerged last month Alcatel was in talks with Aerospatiale and Dassault to mount a joint bid.

Yesterday's details made clear that Thomson's privatisation will be achieved through a trade sale of just over 50 per cent of the company's shares. In addition, between 5 and 6 per cent of the shares will be reserved, on preferential terms, for Thomson employees. Nearly 42 per cent are already in public hands. Candidates must have at least FFr5bn in equity capital and the same amount in annual turnover in the professional and defence electronics fields. In the case of a group bid, the lead company must plan to hold more than a third of Thomson's capital or voting rights.

The government said its aim in the sale was to facilitate the development of an electronics pole around Thomson that would "contribute effectively" to the restructuring of the European defence industry. It said it would retain a golden share and would require the government's approval for any transaction that would result in 10 per cent or more of the company's voting rights or capital changing hands. It would also have e non-voting representative on the company's board.

David Owen, Paris

Portugal Telecom rises 52%

Shares in Portugal Telecom reached a record high yesterday as it reported a 51.5 per cent increase in net consolidated profit last year to Es54.9bn ($321m), up from Es36.25bn in 1995. The increase, well above analysts' forecasts of about Es52bn, comes ahead of a third global offering of Portugal Telecom expected in September, and selection of an international partner by April.

After reaching a record Es6,650 in early trading, the shares closed at Es6,448 yesterday, down from Es6,545 at Tuesday's close. Analysts said most investors had discounted the expected profit growth earlier in the week. The group's higher than forecast profit growth was partly a result of a lower than expected tax rate of 47.4 per cent of total earnings, compared with 53 per cent in 1995. Pre-tax profit of Es103.5bn, up from Es79.6bn in 1995, was in line with analysts' forecasts.

Peter Wise, Lisbon

Exchange merger protested

A planned merger between the Stockholm Stock Exchange and OM, the Swedish derivatives exchange operator, hit a snag yesterday when four banks which together own 20 per cent of the stock exchange objected. Svenska Handelsbanken, Nordbanken, Swedbank and Föreningsbanken said they opposed a deal which would make the merged exchange a subsidiary of OM Group, a listed company which includes the OM option exchanges and owns 21 per cent of the Stock Exchange.

It appeared one concern was the influence set to be wielded over a merged market by the powerful Wallenberg industrial empire. Investor, the main Wallenberg investment vehicle, is the biggest shareholder in OM and has a policy to be the dominant owner in companies in which it holds stakes.

"We support the creation of a single market place, but the problem is the ownership structure," said Mr Björn Andersson, head of Handelsbanken's markets department and a member of the stock exchange board. "We are very hesitant that the parent company of the new bourse should be a listed company. We want to be guaranteed that we have a broad shareholding and not a very concentrated ownership."

OM expressed surprise at the objections, which were made public only days after the proposed merger was given the green light by a government-commissioned report which made no mention of the ownership issue. A merged bourse would create a common market for Swedish equities and derivatives trading and would be the dominant exchange in the Nordic region. OM and the Stock Exchange see a merger as the best way to fend off growing competition from foreign markets and to attract more international liquidity to Stockholm.

Hugh Carnegy, Stockholm

Lafarge pleases investors

Shares in Lafarge, the French building materials group, began to recover yesterday from a 3 per cent fall on Tuesday, in spite of weaker profits. The shares closed up 1.2 per cent at FFr372. Although Lafarge's net attributable profit fell from FFr2.35bn in 1995 to FFr1.85bn ($322m), the 21 per cent rise in operating profit to FFr4.17bn was better than anticipated, analysts said. The group also forecast a "significant" improvement in 1997, underpinned by an anticipated rise in sales of more than 10 per cent.

Reuter, Paris

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Embarrassing times for SBC Warburg

The SFA investigation of the London-based bank puts programme trading under the spotlight

"What happened is what we definitely. I mean we definitely pushed some of the shit down. After the fact Alex told us we should have gotten them down 1 per cent, it's just stupid."

These are the comments of a London-based SBC Warburg trader on October 30, soon after a mistake made during the execution of a £300m programme trade for an investment trust had caused the price of a number of French stocks to fall sharply.

The comments were recorded on tape and have been passed to the Securities and Futures Authority, the City of London regulator, which is now investigating SBC Warburg. The mistake has also led to the departure of two people from SBC Warburg, including Mr Peter Corrigan, head of French equities. Several other executives have also been disciplined.

The SFA is also believed to be investigating whether SBC Warburg made a similar error when selling Spanish shares as part of the same programme deal.

The mistake is thought to have cost SBC Warburg no more than £5m and will not cause the investment bank, which is owned by the Swiss Bank Corporation, any serious financial difficulties.

Nevertheless the programme trade is one of the largest ever to be awarded to SBC Warburg, and the SFA investigation and staff departures have clearly embarrassed it.

The SFA investigation is focusing on a 80-minute period on October 30. At some time around midday, SBC Warburg traders learnt that the bank had been awarded three contracts by Kleinwort European Privatisation Investment Trust, now in liquidation, to execute a series of share sales – so-called programme trades – on its behalf.

Contracts for programme trade are often awarded just before the deal takes place, and the Kepit deal was no different. It involved SBC Warburg taking the £300m-worth of shares on to its books just minutes later – at 12.30pm – and paying Kepit the mid-market prices for each share at that time.

In order to rednce the risk from the shares they were about to take on from Kepit, in the remaining minutes before the 12.30pm deadline, SBC Warburg traders sought to sell some of the same shares they were about to get from Kepit. SBC Warburg traders had a good idea which shares they should be selling, thanks to detailed analysis colleagues bad done earlier on what shares Kepit owned.

SBC Warburg would have realised that this selling process – known as going short – would cause share prices to fall and thereby reduce the amount of profit Kepit would receive.

However short selling ahead of programme trades is accepted as normal practice in the City of London, so long as prices do not fall too much. If share prices had fallen by more than, say, 1 per cent Kepit would probably have complained that the prices it received at 12.30pm were lower than they should have been.

Elsewhere at SBC Warburg, a trader was running an arbitrage position on Kepit. This meant he was seeking to make money by exploiting differences between Kepit'a own share price and the prices of the shares it owns.

SFA investigators have been told that in the minutes before the 12.30pm deadline the SBC Warburg trader running the arbitrage position was seen on the trading floor making gestures with his hands for traders to get the price of the shares down.

None of this would normally have come to the SFA's attention, but for a mistake by one of SBC Warburg's Paris-based traders which caused some stocks to go into free fall at 12.30pm. Instead of selling as much as be could before 12.30pm – tha so-called strike time – SFA investigators bave been told that the trader misunderstood his instructions, communicated at speed, and instead attempted to sell at the strike time.

The trader also failed to put a so-called down limit on his proposed share sales, effectively making it into an unlimited sell order.

The French trade shares using a compnterised system known as order-driven, and investigators have been told that the trader's mistake led to all his sales being executed automatically and the computer system freezing.

Kepit executives watching the share price collapses on their screens were soon contacted by SBC Warburg and told that they would be paid the amount they would have got if the strike price had been half-an-hour earlier, at 12 noon.

At SBC Warburg in London, traders realised immediately that the programme trade had gone wrong. In the tapes passed to the SFA, the London-based trader is beard talking with a colleague about bow the price of the French shares had fallen much further than they had planned. The trader complains that Alex, a colleague, had just told him – in hindsigbt after the abare prices had collapsed – that they should only have pushed the prices down by 1 per cent.

In a statement yesterday SBC Warburg admitted that its short selling had contributed to adverse price movements. It said: "On Wednesday October 30 SBC Warburg bid for three portfolios of Kepit. In connection with its bid the bank sought to sell into the market. This contributed to adverse price movements in some of the shares in the portfolio concerned." It added that "we are continuing to assist with the on-going SFA investigation".

William Lewis and Samer Iskandar

Merger upheaval is overcome

SBC Warburg, the European investment bank formed by Swiss Bank Corporation's takeover of S.G. Warburg two years ago, may have had its problems immediately following the merger. Yet, as its unusually frank results yesterday demonstrated, it appears to have overcome its period of turbulence.

The results – virtually unique among investment banks in breaking down revenues among its business lines – show that SBC Warburg's main engines are its equities and fixed income arms. Its corporate finance advisory arm, a leading force of the former S.G. Warburg, is less significant.

The upheaval after the merger – which led to the departure of at least 55 of 135 former directors of Warburg's merchant bank – has not damaged overall earnings significantly. Indeed, SBC's expertise in equities and fixed income trading has combined well with Warburg's customer franchise.

"The clients that we lost had not been doing many deals for a long time, and the clients that we were in danger of losing have come back," says Mr Hans de Gier, SBC Warburg chairman.

"We have not really suffered on the revenne side, and on the cost side, we have benefited from the change."

Nonetheless, Mr de Gier admits that corporate finance plays a dual role, attracting advisory fees and acting as the marketing arm of the overall investment bank. He says that it is still being reshaped, and there may be further job losses among the junior-ranking "foot-soldiers".

SBC Warburg achieved return on equity of 16.4 per cent for the year, up from 11.3 per cent in 1995. Mr de Gier says that this would have been 22 per cent bnt for allocation of costs from SBC centrally. Although 1996 was a strong year for all investment banks, this is in the target range.

Both Mr de Gier and Mr Marcel Ospel, SBC chief executive, yesterday mentioned their concern over tightening margins in investment banking.

However, Mr de Gier argues that Warburg bas potential for revenue growth in Europe on the back of industrial restructuring and pensions changes.

His strongest concerns are over costs, and the question of what Warburg will do in the US. He says that he is "terribly, terribly worried" by the inflation in wage costs, caused by the spread of Wall Street levels of bonuses to Europe, and European banks buying staff to build businesses.

"I am worried not about bonuses for the top people but the salaries paid to mediocre people. The Europeans may get the worst of both worlds," he says.

He emphasises that SBC Warburg is trying to align its staff'a interests with its ehareholders by linking bonuses to SBC equity.

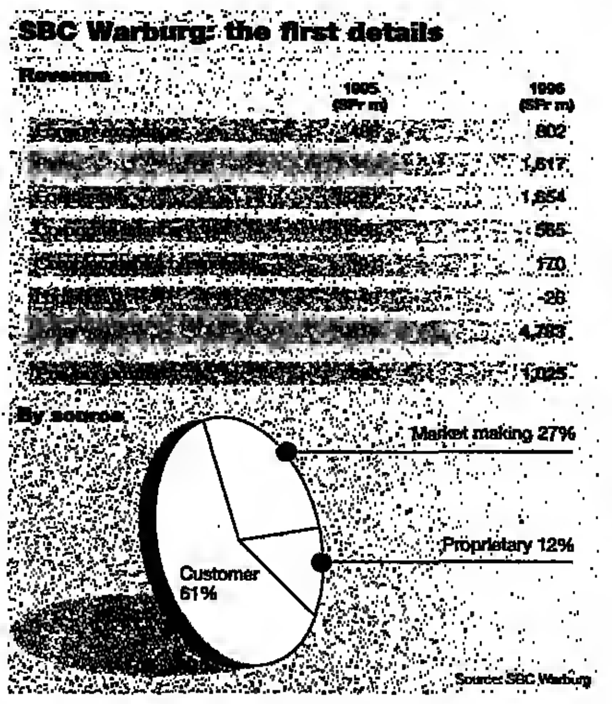
The second issue of concern is the US. Mr de Gier says that its corporate finance earnings are limited by the fact that an estimated 75 per cent of advisory and equity raising fees come from the US. However, SBC is cantious about reinforcing its strength there by buying a US investment bank.

"It is not in shareholders' interests to buy a US business at an unrealistic multiple at the moment. Whether prices will comes down, I don't know," he says.

However, be says that Warburg cannot operate in the medium to long term without having a presence in the US domestic market.

Mr de Gier says that one possibility is for it to wait for the turmoil likely to be created by US commercial banks buying investment banks. "Things will go wrong, and teams will come loose. That could give us an opportunity to build business with teams and boutiques from elsewhere," he says.

John Gapper



EUROPEAN NEWS DIGEST

Novo Nordisk focus pays off

Novo Nordisk, the Danish diabetes care and industrial enzymes group, lifted pre-tax profits 17 per cent to DKr2.52bn (US$387.7m) last year, from DKr2.15bn in 1995. Net profits climbed 15 per cent from DKr1.56bn to DKr1.799bn, taking earnings per share from DKr20.83 to DKr23.98.

The board proposed a 50 per cent increase in the dividend from DKr2.50 a share to DKr3.75.

Mr Mads Ovlisen, chief executive, said the company was seeing the positive results of a strategy adopted in 1994 for focusing on core products in diabetes care, women's health, growth hormones and industrial enzymes. Sales grew 8 per cent from DKr13.72bn from DKr14.87bn. However, after allowing for disposals, the increase in sales by continuing businesses was 12 per cent. *Hilary Barnes, Copenhagen*

Boost to German TV float

Pro Sieben, the German television and media group which is preparing for a DM1bn (US$588m) flotation of preference shares in July, said yesterday that turnover in 1996 rose 14 per cent to DM1.67bn. Pre-tax profits rose more than 50 per cent to DM170m. Mr Lothar Lanz, board member responsible for finances, attributed the dramatic leap in profits partly to the costs in 1995 of the takeover of the loss-making Kabel 1, the smaller of the company's two free TV channels.

Regarding the flotation, the company said it hoped for a "healthy mix" of domestic and international, institutional and private investors. As the first Germany television company to go public, Pro Sieben hopes to benefit from the current interest in the potential of the German media market. *Frederick Studemann, Munich*

Domínguez sets Bolsa record

The market sale of 70 per cent of fashion retailer Adolfo Domínguez, to be completed today, has set a record for a Madrid Bolsa listing, with the offering reported to be 50 times oversubscribed.

The issue is likely to be priced tomorrow at Pta3,100, the top of its range, giving the company a market value of Pta26.5bn (US$183m).

Analysts said investor interest in the 72-store upmarket design company had exceeded the demand generated by last year's listings of the hotel chain Sol-Meliá and the fast-food group TelePizza. The rush for the 5.9m Adolfo Domínguez shares on offer adds further volume to the Bolsa and looks certain to prompt more IPOs by small and medium-sized domestic companies.

Demand has been particularly high among domestic investors, who are being offered 60 per cent of the total offering. The retail tranche, which represents 65 per cent of the domestic offering, is estimated to be 75 times subscribed, while demand for the domestic institutional tranche is understood to be considerably higher. *Tom Burns, Madrid*

Chargeurs Int'l back in black

Chargeurs International, the French textile company created last year by the demerger of conglomerate Chargeurs, said yesterday it had returned to the black last year.

It reported net profits of FFr136m (US$23.8m), compared with a FFr65m loss for 1995, despite a fall in turnover to FFr8.67bn from FFr8.82bn. *Reuter, Paris*

Groups in moves on PC 'broadcasting'

By Louise Kehoe in San Francisco

Intel, the leading supplier of PC chips, yesterday joined Société Européenne des Satellites, the Luxembourg operator of the Astra European satellite TV system, in a venture aimed at delivering multimedia content to PCs in Europe.

Separately, PointCast, the pioneer of Internet broadcasting, and Microsoft, the software industry leader, announced jointly developed technology for Web broadcasting, or "Webcasting".

PointCast also announced it would offer royalty-free licenses for its broadcast software to any publisher with a site on the World Wide Web.

More than 20 publishers have already taken up the offer and plan to begin Web broadcasting.

Both developments reflect a shift toward "push" technology that automatically delivers information services to a PC user's screen, rather than requiring the user to search for information on the Internet.

PointCast, which already has more than 1m viewers of its service, which includes sources such as CNN and the *Los Angeles Times*, aims to expand its reach through the new "Connections" program, which will enable anyone to deliver their content via PointCast.

Unlike the established service, in which publishers share advertising revenues with PointCast in return for services such as tracking users' interest in advertising, publishers can use the Connections program free of charge but will not earn revenues from PointCast advertisements.

Mr Chris Hassett, PointCast president and chief executive, said the company had worked with Microsoft to develop a standard format for Internet broadcasting. This technology will be incorporated in the next version of Microsoft's Internet Explorer program, due out this summer.

The SES-Intel venture, called European Satellite Multimedia Services, takes "push" technology a step further. The new company, in which Intel holds a minority stake, plans to broadcast information services ranging from a "Best of the Web" selection of Internet content to specially produced multimedia programming.

Initially, the EMS service will be aimed at businesses, enabling them to distribute corporate information to remote offices. A consumer-oriented service is planned later.

● IBM has formed a partnership with BellSouth, the US regional telephone company, to deliver Internet services. IBM, which operates a worldwide data communication network, will provide network connections and services to BellSouth to expand the carrier's Florida Internet services.

Pay for Wall Street executives at record

By Tracy Corrigan in New York

Executive compensation for top Wall Street executives in 1996 reached new highs, according to company proxies filed in recent days.

While base salaries remained a small proportion of total remuneration, bonuses and other performance-related pay soared, with total pay for some top executives rising more than 40 per cent to $10m.

Many Wall Street firms reported record profits in 1996, as strong market conditions boosted earnings from underwriting, trading, and mergers and acquisitions.

"What makes Wall Street remarkable is that there is an absolute correlation between profit and return on equity and compensation," said Ms Joan Zimmerman, executive vice president at GZ Stephens, an executive search firm. "You do not see what has been seen in the corporate sector, where chief executives have received exceptionally high pay despite lacklustre stock performance."

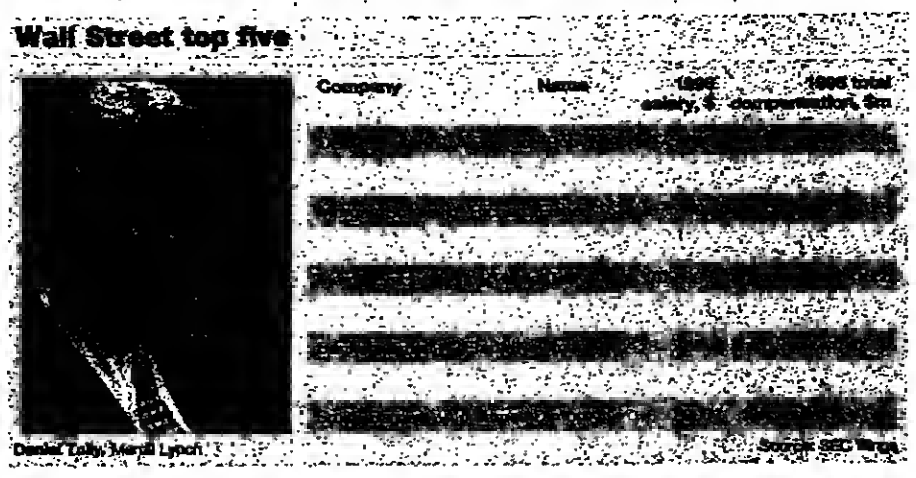
Top of the Wall Street pay league to date is Mr Joe Roby, president of Donaldson, Lufkin & Jenrette, who received total compensation of $33m. However, Mr Roby's basic salary was also the lowest of the leaders, unchanged at $175,000. His bonus was $8.5m, and the remainder was largely the result of pay-outs under a long-term incentive plan dating from 1991.

"The firm has performed splendidly over that time-frame and an important part of our compensation strategy is to have long-term compensation plans," DLJ said.

At other Wall Street firms, where pay is more closely linked to a single year's performance, there is a marked cluster of compensation packages around the $10m mark.

However, at some firms, individual traders or M&A specialists have earned more than their bosses, according to Ms Zimmerman.

Few US companies pay top executives more than $1m in basic salary, after an Internal Revenue Service ruling in 1994 that remuneration above that level cannot be deducted unless it is performance-linked, according to Ms Carol Bowie, editor of Executive Compensation Reports, a newsletter.



However, Ms Bowie argues, some companies set performance criteria too low, with target return on equity as low as 2 per cent at some Wall Street firms.

The structure of compensation also assumes that executives should be rewarded for performance which may be largely owing to market conditions.

Remuneration is also often based on comparisons with compensation at a peer group. Bankers Trust, for example, said in its proxy that chief executive officer Mr Frank Newman's compensation was a reward for successful efforts to improve financial performance and build client relationships, after a derivatives scandal which rocked the bank.

But it was also based on comparisons with a peer group made up of Bear Stearns, Chase, Citicorp, Merrill Lynch, J.P. Morgan, Morgan Stanley, PaineWebber and Salomon Brothers.

"It's a double-edged sword," Ms Bowie said. "[Peer group pay comparisons] are supposed to compensate for things outside the company's control and permit rewards despite disadvantages which exist, so theoretically there is a good reason for it.

"But year-to-year these things are somewhat easy to manipulate."

AOL plans to branch out from the Internet

By Andrew Jack in Paris

America Online, the US-based information provider, plans to branch out from the Internet and distribute its services through television or other media.

In an interview in Paris, Mr Steve Case, chairman, said the group was likely to make announcements later this year on pilot programmes using other media.

He stressed that AOL should be seen not as a computer-based Internet service, but rather as "an interactive medium" which could be transmitted by "television, personal computer, pocket digital assistant, telephone, cable or satellite".

Mr Case argued that using the home computer seemed logical because a high proportion of US households owned one, but that in other regions – such as Europe, where the penetration of computers was lower – other media could equally be used to distribute its services.

His comments come as AOL prepares to launch a service in Japan next month, in partnership with Mitsui and Nikkei, following its development of services outside the US in the past few years, in Canada, Germany, the UK, France and Sweden.

Mr Case said that after a series of deficits – in part caused by a change in accounting policies – AOL should be reporting profits from the June quarter this year.

He said that its European operations, which run as a joint venture with Bertelsmann of Germany announced in 1995, should be profitable during 1999, ahead of initial projection.

Mr Case indicated that AOL was considering distribution of its services in other countries, notably Australia, and said this could be done through partnerships or fully-owned subsidiaries of the US parent.

About 10 per cent of AOL revenues currently come from advertising and the sale of products on-line, but Mr Case said he expected that proportion to grow to about 50 per cent within the next five years.

In spite of the growth in competition from rival services, he expressed confidence that AOL would continue to play a leading role, illustrated by the increase in both the number of subscribers and the hours they spent on-line over the past few years.

AOL has 8m clients, including 100,000 in Canada and 500,000 in Europe. He said that average connection time was now 16 hours a month, compared with three hours five years ago, when it had 200,000 clients.

AMERICAS NEWS DIGEST

GM moves closer to Delphi offering

General Motors yesterday moved a step closer to a public offering of shares in its giant parts-making business, Delphi Automotive Systems, with the disclosure that the unit had achieved stronger profit margins than the US group's core vehicle assembly business in recent years. While helping set the stage for the planned sale of a 20 per cent sale of Delphi, the news also underlined the scale of tha problems still faced by GM's North American assembly operations. The results of the two have not been disclosed separately before.

Delphi's after-tax profits in 1995 reached $916m, or 3.5 per cent of sales, before falling back to $526m, or 2 per cent of sales, last year owing to a series of strikes, GM said. Its North American assembly business, on the other hand, earned $1.47bn, or 1.5 per cent of sales, in 1995 and $730m, or 0.8 per cent of sales, last year.

GM said it had revealed the figures because it had moved internally towards judging the two business separately in recent months. However, the news will also make it easier for potential investors in Delphi to assess its value as e stand-alone company. The figures suggest that, if Delphi can regain the sort of profitability recorded in 1995, it could be worth more than $8bn. Shares of other leading US parts makers generally trade at 9-10 times earnings. *Richard Waters, New York*

Toys R Us ahead weakly

Toys R Us, the world's biggest toy retailer, saw underlying profits growth of only 7 per cent in the fourth quarter because of a poor Christmas for toy and game sales in the US, the company said yesterday. However, it said the outlook for the current year was "excellent" because of an abundance of new products, including software for the Nintendo 64 video game machines and toys based on the revival of the *Star Wars* movie trilogy.

Yesterday the company said world-wide sales in the quarter to February 1 rose 1 per cent to $4.7bn. Including special charges this year and last, net profits rose from $93m to $383m. Without the charges, they rose from $362m to $386m, or $1.38 a share. For the full year, sales rose 5 per cent to $9.9bn and net profits, excluding special charges, rose 12 per cent to $465m, or $1.68 a share. *Richard Tomkins, New York*

Acquisitions hurt Thomson

Improved operating earnings at Thomson Corporation's publishing, newspaper and travel businesses last year were offset by the impact of acquisitions and disposals, resulting in a substantial drop in net earnings. But the Canadian-controlled group said the flurry of deals that marked the past decade, including about 350 acquisitions and 200 disposals, was near an end.

Net earnings fell to US$581m, or 95 cents a share, from $799m, or $1.34, in 1995. Sales climbed to $7.72bn from $7.23bn. Excluding gains on disposals, earnings dipped to $413m from $439m. However, operating income from existing businesses rose from $739m to $943m.

UK-based Thomson Travel's operating income rose slightly to $109m, including a modest reduction in traditional fourth-quarter losses. Last year's earnings were also dented by recent acquisitions, notably West Publishing, the large US legal information supplier, bought last June. Thomson shares, which have risen sharply over the past year, eased 30 cents to C$29.90 in Toronto early yesterday. *Bernard Simon, Toronto*

Telus sells UK cable stake

Telus, Canada's third biggest telecommunications company, is selling its 50 per cent stake in Telecential Communications, a British cable TV/telephone group, to Vision Networks of the Netherlands for C$390m (US$285m), plus reimbursement of any further advances. Alberta-based Telus expects to post an after-tax gain of C$128m. Vision Networks will now own 100 per cent of Telecential. *Robert Gibbens, Montreal*

USAirways adds to BA suit

USAirways yesterday alleged that British Airways representatives on its board of directors had breached their responsibility as joint venture partners of the US carrier. USAirways said the charge had been added to its lawsuit against BA, which was filed in July in federal district court in New York on the grounds that BA had violated e 1993 alliance with USAirways by pursuing a tie-up with American Airlines. *AFP, Washington*

Amelio expected to take axe to Apple

By Louise Kehoe

Tomorrow will be "Black Friday" at Apple Computer; the day the struggling personal computer company plans to announce big cuts and job losses expected to top 2,000.

The cuts come as confidence in Apple's future dwindles. Executives in the US computer and software industries talk of Apple as a "lost cause". In Internet discussion groups, Macintosh fans debate where to put blame for the group's demise.

Still, Apple has not given up. In January, Mr Gil Amelio, chairman and chief executive, said the company would cut costs to lower its break-even point to $8bn in annual revenues. Revenues in 1996 were $9.8bn.

Even that might not be enough, he acknowledged at the Apple shareholders' meeting last month. Apple would make "tough choices". It would create a "hot list" of things the company had to do and a "hit list" of activities it could no longer afford. Projects and products would be "dropped or divested" he said.

Rumours are rife about which parts of Apple may be cut. The Newton hand-held "personal digital assistant" – which has disappointed since its launch in 1993 – heads the list.

Yet if the cuts are to have any lasting effect, analysts say they must include a big reduction in Apple's R&D budget, one of the highest in the PC industry.

With its proprietary Macintosh technologies, Apple is forced to spend heavily on development of hardware and software, while the rest of the PC industry relies upon Intel, the primary chip supplier, and Microsoft, the software leader, to shoulder the costs. In the December quarter, for example, Apple recorded revenues of $2.1bn and spent $149m on R&D. Compaq, the PC market leader, had revenues of $5.4bn and R&D costs of $106m.

Analysts have long urged Apple to create an alternative "standard" for personal computing by licensing hardware and software. Yet as the market for "Macintosh clones" takes off, Apple is "reviewing" licensing agreements – apparently with a view to raising fees. Already, one of the largest "Mac clone" builders has said it plans also to make "standard" PCs.

Whether Mr Amelio will bite the bullet and slash costs will remain a matter of intense speculation for the next 24 hours. If he takes anything less than drastic action, however, many investors, customers and Apple supporters will be bitterly disappointed.

Marsh & McLennan regains top spot

Marsh & McLennan's purchase of Johnson & Higgins catapults it back into number one position among the world's biggest insurance brokers and creates a yawning gulf in size between the US heavyweights and their nearest competitors, the UK-based brokers.

Just three months ago, there were six in the top league of global brokers. There will shortly be four.

Strangled profit margins and sluggish revenue growth have precipitated a wave of consolidation which has reverberated through all levels of the industry and threatens to swamp those too slow to react.

Insurance broking long ago ceased to be simply a matter of matching clients with underwriters. The customer has become much more sophisticated. Multinationals are assuming considerably more risk themselves than in the past, and are demanding from the broker a broader global reach.

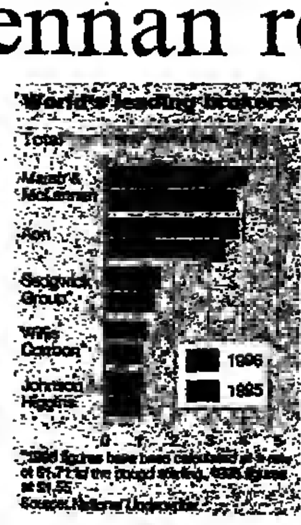
The demand for traditional broking services has declined and the industry is relying less on the commission earned from single transactions and more on fee-based consultancy work.

Excess capacity, following several years of exceptional profits in world insurance markets, has combined with a lower incidence of catastrophes to push insurance rates sharply lower.

That has increased the pressure on brokers with less well-developed consulting businesses to consolidate.

The industry was still reeling from Aon's $1.23bn acquisition of US rival Alexander & Alexander, announced last December, when Marsh & McLennan, knocked into second place by that deal, unveiled its $1.8bn takeover of Johnson & Higgins.

Under Mr Patrick Ryan, its chief executive, Aon had already demonstrated rapid expansion in insurance broking. It spent some of the $1.36bn it had raised from selling two US life assurance subsidiaries on buying Bain Hogg, the UK broker, last October. For Mr Ryan, critical mass is paramount, and Aon is expected to cut costs worldwide by some 7 per cent.



This deal on its own posed a considerable threat to Sedgwick and Willis Corroon, both UK-based brokers with sizeable operations in the US.

Mr Sax Riley, chief executive of Sedgwick, has been open about impending consolidation and his willingness to be involved.

Marsh & McLennan, which already has a well-developed consulting arm and additional earnings from Putnam, an investment management business, can adopt a more relaxed approach. Overall revenue increased 10 per cent to $4.1bn, and net income rose 16 per cent to $98m in 1996.

The advantage for the group in buying Johnson & Higgins is the scope for cost savings of $150m and for expansion in certain overseas markets.

In addition, Johnson & Higgins has led the market for setting-up insurance captives.

There is little information on Johnson & Higgins. As a partnership, it does not have to publish an annual report and accounts. It has competed with Marsh for more than 100 years in the US, and is best known for having arranged the insurance for the Titanic. As the smaller of the two and with the bigger exposure to traditional broking, it may have been under more pressure to find a strong partner.

David Olsen, chief executive, says: "Looking at the consolidation that has occurred, we were capitally constrained to some degree. We recognise that size is important and we want to expand our own global reach."

For Sedgwick and Willis, the market just got tougher. Still recovering from the messy merger of the two brokers that created it several years ago, Willis has rejected the arguments for merging. But another review of strategy is expected to follow yesterday's deal, as it did Aon's move in December.

According to Mr Roman Cizdyn, analyst at Merrill Lynch in the UK, "this leaves a big question mark about what Willis and Sedgwick are going to do. It has at least increased the chance of the two talking."

Christopher Adams

INTERNATIONAL CAPITAL MARKETS

European peripheral sector underperforms

GOVERNMENT BONDS

By Samer Iskandar in London and Lisa Bransten in New York

The European peripheral markets underperformed the so-called "core" yesterday – with yield spreads of Italian, Spanish and UK government bonds over German bunds widening.

In the US, Treasury prices were barely changed as market participants awaited the Federal Reserve's Beige Book on the state of the economy.

UK gilts were dragged down by a weakening of sterling on the foreign exchange market. The June long gilt future settled at 111 15/32, down 5/32 and only 1/32 above the day's low.

Sterling's fall was sparked by comments from Mr Howard Davies, deputy governor of the Bank of England, interpreted by traders as expressing concern that the currency was overvalued.

Although Mr Davies later explained that his comments reflected the view of financial markets rather than his own, sterling remained weak and gilts failed to recoup their losses.

In the cash market, the yield spread of gilts over German bunds widened by 6 basis points to 178 points, as the 10-year benchmark gilt fell 11/32 to close at 101 5/16.

"There was no reason for the market to react negatively," said Mr Andrew Roberts, gilts analyst at UBS in London. "At these levels gilts offer good value for investors."

The weakness of sterling overshadowed the day's other events in the UK, such as the release of bullish data showing that industrial production in January was slightly lower than analysts' expectations.

Mr Roberts also said the announcement by the Treasury of its funding programme "contained no surprises". Gross sales of gilts will total £36.5bn in the 1996-97 fiscal year, roughly in line with previous estimates.

Italian bonds showed the day's worst performance. In London, the June futures contract on 10-year BTPs settled one full percentage point lower at 125.78, before plunging another 0.20 in after-hours trading.

In the cash market the 10-year yield spread of BTPs over German bunds widened by 15 basis points to 194 points.

Analysts attributed the weakness to the continuing uncertainty surrounding Italy's chances of joining European economic and monetary union as a founding member in January 1999. This is seen as being largely dependent on a mini budget due to be finalised in coming weeks.

"There is nothing new in terms of market-moving news," said one BTP trader. "It just seems that investors prefer to stay on the sidelines until the situation becomes clearer."

Spanish bonds fell in the wake of the bearish Italian market. In Barcelona, the March future on 10-year bonos closed at 112.39, down 0.34.

In the cash market the 10-year yield spread over bunds rose by 4 basis points to 131 points.

Traders said they were awaiting today's release of consumer price data for February. A modest fall is expected from January's level of 2.9 per cent, analysts said.

German bunds ended the day flat. The London-listed June bund future closed 0.01 lower at 101.78, but weakened further in after-hours trading to a low of 101.58.

US Treasury prices were also flat in early trading as the markets waited for the afternoon release of the Federal Reserve's report on the state of the economy – known as the Beige Book.

Near midday, the benchmark 30-year Treasury bond was 1/8 lower at 97 1/8, to yield 6.852 per cent, while the two-year note was down by 1/16 to 99 3/4, yielding 6.096 per cent. The March 30-year bond futures contract weakened by 1/8 to 110 5/8.

Investors remain nervous about whether the Fed will raise interest rates at the March 25 meeting of its Open Market Committee, and Mr David Munro of High Frequency Economics said that the Beige Book would be the "week's best form of market guidance".

While a growing number of economists are expecting an increase in interest rates, Mr Munro does not think the Federal Reserve would tighten unless the Beige Book shows that manufacturers are losing their ability to control labour costs and that consumers are becoming more willing to accept price increases.

"It is a close call," he said, "but for now, supply and demand seem to be pretty well balanced."

Cedel in warning on euro switch

By Samer Iskandar

Existing debt securities in European currencies should not be redenominated in the single currency – the euro – Cedel Bank, the Luxembourg based international depository said yesterday.

However, it insisted that prospectuses for future issues should contain a clause stipulating whether and how the issuer intends to deal with redenomination. The clearing bank also recommended that transactions among financial intermediaries involving non-redenominated debt be settled in euros after the launch of the currency.

Cedel, which handled the settlement of more than $13,000bn of securities on behalf of clients in 1996, warned of the costs associated with redenomination and said the process could have an impact on the securities' liquidity.

Although redenomination is an issuer's decision, Cedel said it should not be undertaken unless "the legal basis is undisputed both from an issuer's and an investor's viewpoint".

Some borrowers, including sovereign and state-backed entities, have said they will convert their Ecu debt into euros at a rate of one-for-one. However, Cedel believes legal uncertainty may exist over debt issued prior to the signing of the Maastricht treaty.

Cedel's announcement was backed by the Forum, a working group describing itself as "a platform for international non-governmental organisations acting in the interests of the global marketplace".

Nursing Home Properties offers lease-backed deal

INTERNATIONAL BONDS

By Samer Iskandar and Edward Luce

With the short end of the sterling yield curve suffering from recent oversupply, borrowers turned to longer maturities yesterday. Issuance was yesterday dominated by asset-backed deals offering relatively generous yield spreads over gilts.

Nursing Homes Properties launched £100m of bonds backed by the leases on 39 nursing and residential homes in the UK. The homes, which are to be acquired with roughly three-quarters of the proceeds, are leased to 11 care home operators.

NHP will manage the leases, collect the rents and transfer them to bond holders in the form of semi-annual coupons. The remaining quarter will fund future acquisitions.

"Securitisation has been an important strategic milestone," said Mr Richard Ellert, chief executive of NHP. "The funds raised will facilitate the acquisition of further care home properties. We expect this to be the first of a series of such issues." NatWest Markets arranged the deal.

Two tranches of paper were issued, and have been rated AAA and BBB by Duff&Phelps, the US credit rating agency. These ratings are based on, among other things, the reliance placed on occupancy rates and fee income assumptions.

Duff & Phelps said that, based on the UK demographic situation, it expects "the demand for nursing and residential home care to continue to rise into the next century".

Daiwa and UBS jointly managed a £77.6m issue for North Avon Investments, a financing vehicle set up to acquire and manage the lease on the Bristol headquarters occupied by Sun Life Assurance. The assets backing the issue are the flow of future rents and the building itself.

Daiwa said the deal was oversubscribed, which led to a slight tightening in the yield spread over gilts from its original 74 basis points.

The bonds are gradually redeemed after the 15th year with the rental income. UBS explained that because of pre-arranged increases, the cash flows from the rent will be sufficient to service both interest and principal repayment after this period.

Morgan Stanley chalked up a minor debut yesterday when it issued the first sterling bond to be co-lead managed with Dean Witter. The £200m deal, priced to yield 18 basis points over Libor, traded at offer price in the secondary markets.

The bonds were distributed mostly to European and UK investors with a small part going to Asia. With denominations of £100,000 as part of Morgan Stanley's medium-term note programme, the debt was targeted at mostly institutional investors.

"There were a few high net worth individuals but mostly it was the big banks and other institutions," said one trader in London. Traders said Morgan Stanley was hoping the issue would help lead to an upgrade of its debt rating, which is currently at A1/A plus.

Retail investors had a stronger showing on DSL Finance's seven-year DM500m issue yesterday.

Lead managed by WestLB, the bonds widened slightly from five basis points over Treuhand seven-year bonds to almost six basis points in the afternoon. But traders said the debt was popular among retail investors in the Benelux countries and France, where D-Mark debt offers a higher yield than domestic alternatives.

The US Student Loan Marketing Association (Sallie Mae) issued almost $2bn in global bonds split between a $1.19bn 2½-year issue, a $787m seven-year issue, and a $72m issue of subordinated debt.

Mr Noel Dunn, head of syndicate at Goldman Sachs in London, said that about 35 per cent of the combined total was distributed outside the US in Europe and Asia.

Priced to yield 46 basis points (for the $1.19bn issue), 57 basis points (for the seven-year offering) and 85 basis points (for the subordinated tranche) over 91-day T-bills respectively, the bonds were trading flat to their offer prices on the markets yesterday.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
SSLT, 97-1, Class A1(a)‡‡#	1.19bn	(a2)	(a3R)	Oct 2005	0.225R	-	Goldman Sachs
SSLT, 97-1, Class A2(a)‡‡#	787.45m	(a4)	(a4R)	Oct 2010	0.27R	-	Goldman Sachs
D-MARKS							
DSL Finance	500	5.25	99.88R	Apr 2004	0.30R	+5(6¼%-Apr-04)	WestLB
STERLING							
Morgan Stanley Group‡‡‡	200	(b1)	99.97R	Apr 2002	0.25R	-	M Stanley/Dean Witter
Care Homes No 1, Class A1	60	8.009	99.45R	Apr 2021	0.625R	+80(8¾-2021)	NatWest Capital Markets
Care Homes No 1, Class A2	40	8.509	99.841R	Apr 2021	0.625R	+115(8¾-21)	NatWest Capital Markets
North Avon Investments(c)‡	77.6	8.12	100.00	Oct 2026	0.75R	+74(8%-2021)	Daiwa Europe/UBS
SWISS FRANCS							
Bayer Corp Pittsburg	200	2.25	99.60	Apr 2002	2.00	-	Deutsche Morgan Grenfell
ITALIAN LIRE							
Credit Local de France(d)	100bn	7.125	97.805	Mar 2007	2.00	-	Credito Italiano
Merrill Lynch & Co(e)‡	100bn	(e1)	100.00R	Mar 2007	0.10R	-	Credito/Merrill Lynch
ESCUDOS							
Eda Finance(f)‡	7.5bn	(f1)	100.00	Apr 2007	0.43	-	Banco Finantia

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) SLM Student Loan Trust. 10% clean-up call. a1) Average life: 2.5 yrs. a2) Priced later: 91-day T-bills +46bp area. a3) Av life: 7 yrs. a4) 91-day T-bills +57bp area. a5) Subordinated cents: $71.8m, 91-day T-bills +85bp area, 8.9 yrs. b) Callable from Apr 99 at par. b1) 3-mth Libor +18bp. c) Quarterly coupons. Amortises from Apr 2012. Average life: 24.2 yrs. d) Fungible with L300bn. Plus 29 days accrued. e) Fungible with L300bn. Plus 38 days accrued. e1) 3-mth Libor +5bp. f) Callable and puttable in 7 yrs at par. f1) 6-mth Libor +35bp. § Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	92.7184	-0.060	7.83	7.82	7.36
Austria		5.625	01/07	99.8500	-0.020	5.64	5.65	5.75
Belgium		6.250	03/07	103.5400	-0.260	5.78	5.74	5.71
Canada *		7.000	12/06	103.9500	+0.270	6.45	6.46	6.56
Denmark		8.000	03/06	111.2400	-0.220	6.33	6.33	6.47
France	BTAN	5.500	10/01	103.8488	-	4.57	4.48	4.62
	OAT	6.500	10/06	107.4700	-0.040	5.49	5.49	5.58
Germany Bund		6.000	01/07	102.4000	-0.070	5.67	5.66	5.73
Ireland		8.000	08/06	109.4400	-0.120	6.62	6.59	6.63
Italy		7.750	11/06	101.6000	-1.120	7.51†	7.48	7.31
Japan	No 143	6.300	09/01	121.6534	+0.053	1.30	1.37	1.30
	No 182	3.000	09/05	105.0205	+0.113	2.30	2.41	2.39
Netherlands		5.750	01/07	101.3400	-0.060	5.45	5.41	5.54
Portugal		9.500	02/06	117.6500	-	6.82	6.70	6.66
Spain		7.350	03/07	102.4100	-0.420	6.96	7.01	6.64
Sweden		8.000	08/07	108.0375	-0.230	6.89	6.88	6.89
UK Gilts		8.000	12/00	103-24	-5/32	6.84	6.86	6.96
		7.500	12/06	101-10	-11/32	7.31	7.30	7.49
		8.000	10/08	112-10	-13/32	7.40	7.39	7.50
US Treasury *		6.250	02/07	97-19	+4/32	6.58	6.61	6.52
		6.625	02/27	97-05	+4/32	6.85	6.87	6.81
ECU (French Govt)		7.000	04/06	106.8400	-0.120	6.00	5.96	5.95

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.11
Prime rate	8¼	Two month	-	Three year	6.26
Broker loan rate	7	Three month	5.19	Five year	6.42
Fed.funds	5⅜	Six month	5.30	10-year	6.59
Fed.funds at intervention	-	One year	5.68	30-year	6.85

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	131.02	131.06	-0.14	131.22	130.92	118,689	83,798
Jun	129.78	129.78	-0.20	129.92	129.66	57,448	64,558
Sep	128.14	128.14	-0.20	128.14	128.14	2	2,153

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Apr	Calls May	Calls Jun	Puts Apr	Puts May	Puts Jun
128	1.81	-	2.30	0.05	0.28	0.56
129	0.95	-	1.62	0.20	0.55	0.87
130	0.34	0.72	1.06	0.58	0.96	1.29
131	0.08	0.34	0.63	1.32	1.57	1.86
132	0.03	0.12	0.35	2.27	2.36	2.57

Est. vol. total, Calls 8,789 Puts 15,219. Previous day's open int., Calls 122,013 Puts 130,642.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	101.81	101.78	-0.01	101.92	101.58	140400	239712
Sep	101.00	100.91	-0.01	101.00	100.90	20	688

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
10150	0.52	0.95	1.21	1.27	0.24	0.67	0.93	1.86
10200	0.24	0.68	0.93	1.05	0.46	0.90	1.15	2.14
10250	0.09	0.45	0.68	0.86	0.81	1.17	1.40	2.45

Est. vol. total, Calls 9538 Puts 14966. Previous day's open int., Calls 183422 Puts 196501

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	126.62	125.78	-0.99	126.90	125.58	72404	103899
Sep	126.50	125.73	-0.96	126.52	126.50	125	2375

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
12550	2.08	2.93	1.80	2.70
12600	1.78	2.65	2.00	2.92
12650	1.52	2.39	2.24	3.16

Est. vol. total, Calls 9786 Puts 3932. Previous day's open int., Calls 71631 Puts 78304

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	112.70	112.39	-0.34	112.95	112.26	76,334	44,543
Jun	112.79	112.27	-0.55	112.90	112.16	16,002	40,585

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	112-06	111-30	-0-10	112-06	111-28	1210	29617.
Jun	111-21	111-15	-0-10	111-26	111-11	56103	169914

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Apr	Calls May	Calls Jun	Calls Sep	Puts Apr	Puts May	Puts Jun	Puts Sep
111	0-48	1-29	1-52	2-23	0-16	0-63	1-22	2-23
112	0-17	0-61	1-20	1-58	0-51	1-31	1-54	2-58
113	0-04	0-37	0-58	1-33	1-38	2-07	2-28	3-33

Est. vol. total, Calls 1340 Puts 2787. Previous day's open int., Calls 65140 Puts 31377

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	96.74	96.72	-0.20	96.80	96.66	2,138	4,738
Jun	95.12	95.14	-0.24	95.22	95.12	360	1,902

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	110-16	110-14	-0-02	110-16	110-06	10,258	129,651
Jun	109-31	109-30	-0-02	110-01	109-22	403,242	379,460
Sep	109-12	109-16	-0-03	109-18	109-10	906	13,425

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	125.77	-	-	125.82	125.72	1046	n/a
Sep	124.38	-	-	124.38	124.38	25	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Wed Mar 12	Day's change %	Tue Mar 11	Accrued interest	xd adj. ytd		Low coupon yield Mar 12	Mar 11	Yr. ago	Medium coupon yield Mar 12	Mar 11	Yr. ago	High coupon yield Mar 12	Mar 11	Yr. ago
1 Up to 5 years (19)	121.06	-0.07	121.14	2.31	2.58	5 yrs	6.95	6.90	7.53	7.01	6.98	7.57	7.08	7.02	7.86
2 5-15 years (21)	151.81	-0.22	152.14	2.86	1.93	15 yrs	7.47	7.44	8.29	7.46	7.42	8.32	7.34	7.31	8.48
3 Over 15 years (6)	173.03	-0.47	173.84	4.50	2.31	20 yrs	7.54	7.51	8.37	7.51	7.46	8.38	7.35	7.32	8.47
4 Irredeemables (5)	200.65	-0.33	201.30	4.05	1.00	Irred.†	7.60	7.57	8.37						
5 All stocks (51)	145.86	-0.22	146.18	2.97	2.30										

Index-linked							Inflation 5% Mar 12	Mar 11	Yr. ago	Inflation 10% Mar 12	Mar 11	Yr. ago
6 Up to 5 years (2)	205.79	-0.16	206.12	2.66	0.00	Up to 5 yrs	3.19	3.14	3.08	2.52	2.46	1.82
7 Over 5 years (10)	197.16	-0.47	198.10	1.14	1.81	Over 5 yrs	3.51	3.47	3.81	3.31	3.27	3.60
8 All stocks (12)	197.00	-0.44	197.87	1.29	1.61							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Mar 12	Mar 11	Mar 10	Mar 7	Mar 6	Yr ago	High*	Low*
Govt. Secs. (UK)	95.50	95.77	95.90	95.70	95.55	92.36	96.74	81.59
Fixed Interest	119.43	118.72	119.59	119.45	119.35	111.26	120.16	110.74

Gilt Edged Activity Indices

	Mar 11	Mar 10	Mar 7	Mar 6	Mar 5
Gilt Edged bargains	NA	NA	90.9	85.2	82.6
5-day average	NA	NA	65.9	82.5	88.9

 * for 1996/97. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on March 12

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	98½	98⅝	+⅛	6.80
ABN Amro Bank 7¼ 05	1000	101	101⅛		7.21
Afdcm Dev Bk 7⅜ 23	500	98¼	99⅛	-⅛	7.48
Alberta Province 7⅜ 98	1000	102	102¼		6.27
Asian Dev Bank 6¼ 05	750	98½	98¾		6.81
Spain 7¼ 03	4000	110⅛	110½		5.19
Volkswagen Intl Fin 7 03	1000	108	108¼		5.44
World Bank 5⅞ 00	3000	104⅛	104½	-⅛	5.08
World Bank 8¼ 02	3000	105¼	105⅞		4.91
World Bank 7⅛ 00	3000	110⅛	110⅛	+⅛	5.54
Abbey Natl Treasury 8 03 £	1000	102¼	102½	-¼	7.52
British Land 8⅞ 23 £	150	102½	102⅞	-½	8.82
Denmark 6¾ 98 £	800	100¼	100⅜		6.52
Depfa Finance 7⅛ 03 £	000	97⅞	98⅛	-¼	7.53
EIB 8 03 £	1000	103½	103¾	-⅛	7.27
Finland 7 00 £	500	100¼	100⅜	-⅛	6.90
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated.

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts (Lives up to Five Years)							
Exch 10½pc 1997		10.46	-	100⅛	—	101⅞	102
Treas Cnv 7pc 1997‡‡		6.97	6.07	100 13/32	—	101 5/32	100 1/32
Treas 8¾pc 1997‡‡		8.64	6.06	101 5/16	—	[illegible]	101 3/16
Exch 15pc 1997		14.23	6.12	105⅜	-1/16	114⅞	[illegible]
Exch 9¾pc 1998		9.47	6.19	[illegible]	-1/16	[illegible]	[illegible]
Treas 7½pc 2006‡‡		7.40	7.30	101 15/16	-¼	[illegible]	[illegible]
Treas 7¾pc 2006‡‡		7.54	7.33	[illegible]	[illegible]	107⅛	[illegible]
Treas 8pc 2002-6‡‡		7.75	7.19	[illegible]	[illegible]	[illegible]	[illegible]
Treas 11¾pc 2003-7		9.65	7.14	[illegible]	[illegible]	[illegible]	115⅛
Treas 8½pc 2007‡‡		7.85	7.34	[illegible]	[illegible]	[illegible]	[illegible]
Index-Linked	(b)						
4⅝pc '98‡‡	(135.6)	-	1.88	114¼	[illegible]	114⅜	111⅝
2½pc '01	(78.3)	2.67	3.26	[illegible]	[illegible]	[illegible]	[illegible]
2½pc '03	(78.8)	2.90	3.33	[illegible]	[illegible]	[illegible]	[illegible]
4⅜pc '04‡‡	(135.6)	2.96	3.34	[illegible]	[illegible]	[illegible]	[illegible]
2pc '06	(69.5)	3.09	3.36	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]							

Other Fixed Interest

• 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

COMPANIES AND FINANCE: UK

BP will reach growth target early

By Robert Corzine

British Petroleum's target to raise underlying annual profits $1.5bn by the end of the decade will be reached at least a year early, largely because of a sustained 5 per cent a year expansion of oil and gas production.

Mr John Browne, BP's chief executive, told investment analysts in London yesterday that oil and gas output would jump by two-thirds over the next decade to 2.5m barrels a day. Moreover, the strong growth in output would be matched by annual additions of new reserves, he said.

BP confirmed that it and its partners had made two big discoveries last year. The Perseus field off Australia's Northwest Shelf contained an estimated 9,000bn cu ft of natural gas. Tha other big discovery was the Girassol oil field off Angola.

But Mr Browne said BP had also extended the life of the big old US and UK fields that have been its traditional production base. In the UK North Sea unit costs at the ageing Forties field were falling at a stage when they normally rise.

BP intends to reinforce its position as a mainly upstream-oriented company by directing most of its $5.6bn capital expenditure this year on exploration and production.

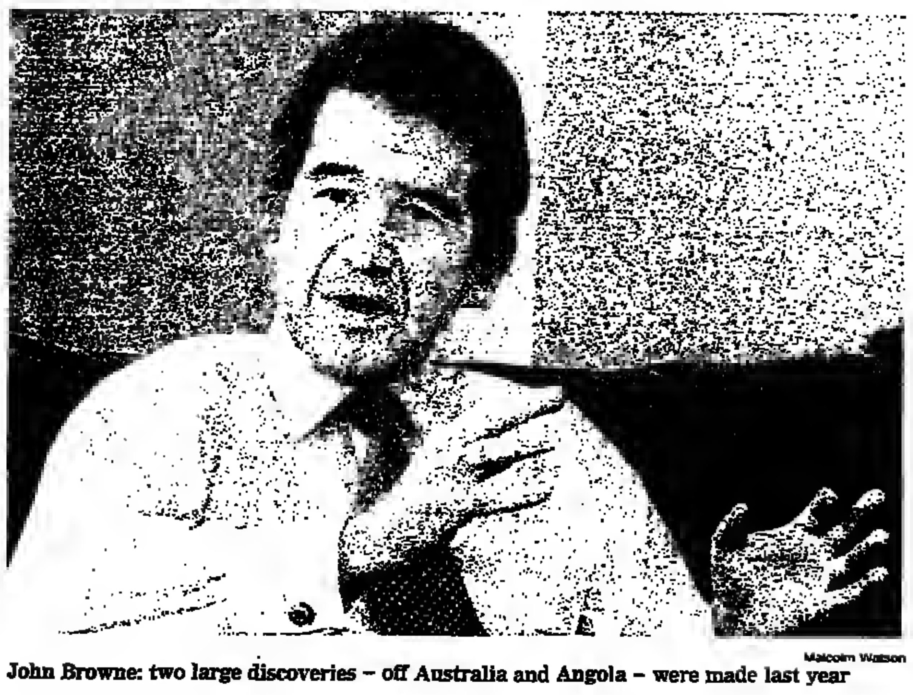
Mr Browne said strong growth of low-cost volumes should help BP – whose share price traditionally tracks that of the crude oil price – become less sensitive to such external influences. "BP is no longer an oil price play," he said.

He did not foresee any big strategic change of direction for the group. Nor did a "sustainabla" annual growth rate for the company's revenues of 10 per cent depend on taking any radical actions.

Askad whether possible tax policies of a Labour government in the UK might undermine BP's premier position in the North Sea, Mr Browne said it was clear that the current offshore fiscal regime had succeeded in lifting production and ensuring steady investment.

"Industries generally don't like too many changes."

Although BP achieved a record 30 per cent rise in net profits last year, Mr Browne said there was "no pressure at the moment" from shareholders for an early special dividend or share buy-back. It was determined "to give a direct reward to shareholders", but be noted that dividend growth last year was also 30 per cent.



Malcolm Watson

John Browne: two large discoveries – off Australia and Angola – were made last year

ICL loss cut to £2.5m after rejig

By Paul Taylor

ICL, the informatinn technology systems and services company which is limbering up for flotatinn hy 2000, completed its restructuring and almost broke even last year.

Mr Keith Todd, chief executive, said the group, which is 90.1 per cent owned by Fujitsu of Japan, had successfully compteted its transition from an old-style compnter company into a systems and services husiness, and was poised for growth: "We have established ICL as a focused systems and services company and are well placed to build on the sound foundations in 1997."

ICL, which made a number of disposals last year as part of its restructuring, rednced pre-tax losses to £2.5m ($4.07m), against £188.3m in 1995 after exceptional charges of £151.5m. Turnover dipped to £2.92bn ($3.11bn) while operating losses were £6.6m.

Operating profit on continuing operations was £38.5m (£97.7m loss). The figures inctnded an exceptional credit of £13.3m for unused provisions. Revennes on continning operations were flat at £2.44bn (£2.48bn).

Among the businesses sold were D2D, the contract manufacturing side, and ICL Medical and Access Manager. In addition, the vnlume products personal compnter operations were transferred to Fujitsi.

As a resnlt of these moves, ICL's headcount fell from 24,000 to 19,000.

Looking ahead, Mr Todd set out a number of priorities for 1997 tncinding improving margins. He said the financial tmprovement last year was "more modest than I would have liked", but expressed confidence that the group would "make reasonable progress this year" towards enhancing operating margins. The target is 5 per cent.

He said focusing on its existing operations in specialist systems integratinn, outsourcing and IT services, and on key market segments had helped ICL win a number of important contracts.

In particular, ICL won the £1bn contract to automate 19,500 post offices and the system for making benefit payments to 20m recipients – a contract which will produce more than £200m in annual revennes.

Slowdown at core Rentokil business

By Ross Tieman

Shares in Rentokil Initial, which hacame the world's biggest services group after acquiring BET last spring for £2.3bn, dropped more than 9 per cent yesterday after news of elowed growth in tha core cleaning and pest control businesses.

Pre-tax profits soared 48 per cent to £318m ($518.3m) in 1996, thanks mainly to an eight-month contribntion from the BET husinesses. Underlying profits growth at the original Rentokil businesses slowed to just 6.25 per cent. Tha highly rated shares fell 42¼p to 415¼p.

Sir Clive Thomson, chief exechtive, said the alowdown, after more than a decade of earnings growth exceeding 20 per cent a year, was a temporary blip.

Sir Clive said monitoring Rentokil performance had taken second place to integrating BET. "If we hadn't acquired BET I would be very surprised if the Rentokil results that you have seen today would have been the same results, because management would bave had as its highest priority growth in earnings of 20 per cent", he said. But performance was improving.

Analysts were deeply divided about the outcome. "The period of 20 per cent a year earnings growth seems to he over," said one. "It seems clear now that they bought BET just to keep it going for another couple of years."

But others suggested the share price fall was excessive. "Clearly it is difficult to integrate a business of this size," said one. Assessments of performance were complicated by Rentokil's decision to absorb £16.4m of integration costs within its operating expenses.

Brokers said future profitability would be flattered by Rentokil's decision to write off last year £250m of BET's £312m of net assets after a review conducted with its auditors, Price Waterbouse and KPMG.

But if sterling remains strong, the group, which earns more than half its revenues outside the UK, will see profits eroded by 5 per cent upon translation.

Aided by an eight-month contribution from the BET businesses, Rentokil marginally exceeded its growth target in 1996. The BET businesses contributed £84.6m to pre-tax profits. The original Rentokil husinesses raised pre-tax profits 9 per cent to £233.4m.

Rentokil also announced a 2-for-1 share split in an effort to attract more individual investors.

Lex, Page 16

Barclays and Rodamco in £249m deal

By Andrew Taylor, Construction Correspondent

Barclays is selling a large part of the property portfolio of Imry Holdings, the development company it rescued in 1992, for £249m ($405m).

The sale to Rodamco, the Dutch property investment fund, exclndes Imry's proposed 1m sq ft retail centre in Southampton, potentially its most attractive asset.

Rodamco said that it had not ruled out making a bid for tha development, which is expected to cost np to £250m. Marks and Spencer yesterday announced that it was joining John Lewis as the second anchor tenant at the 53-acre West Quay development. Last week Southampton city council approved detailed designs for the shopping mall.

However, rival property companies whicb also considered the Imry portfolio said there were a number of hurdles still to be overcome at Southampton which could explain Rodamco's decision not to proceed. The Dutch group had been expected to pay up to £450m for the whole of Imry.

Concerns about the Southampton project were believed to include provisions in the planning permission which some developers regarded as too onerous. There were also worries at the time it might take to pursue compulsory purchase orders.

Mr Martin Myers, Imry's executive deputy chairman, said: "I am not aware of any ooerous provisions attached to the planning permission: we now own 99 per ceot of the land. The compulsory purchase orders are simply a mopping-up exercise.

Barclays has sold 14 Imry properties, including the 500,000 sq ft Shires shopping centre in Leicester. The proceeds would be used to repay £114m of third-party debt and £91m of debt owed to tha bank.

The remaining £44m would be used partially to redeem £100m of preference shares, in Barclays' books at £56m, and to pay sale costs.

Sorrell hints at breaking up WPP to return value

By Tony Jackson

WPP, the advertising group, could be broken up in five years if it does not add sufficient shareholder value, Mr Martin Sorrell, chairman, said. This could be achieved by divestment or by reducing the role of the corporate centre.

WPP, which embraces the J Walter Thompson and Ogilvy & Mather agencies, has 40 operating companies worldwide. Assembled by acquisition in the late 1980s, they include BMRB, the market research company, and Hill and Knowlton, the public relations agency.

Corporate break-ups are increasingly fashionable in the UK, following a trend set in the US.

Mr Sorrell's remarks, in an interview with the Financial Times, come at a sensitive time for WPP's share price. Under the second instalment of a controversial incentive plan set up for Mr Sorrell two years ago, he receives free shares worth almost £3m if the price remains above 230p until next Monday's close. Yesterday's closing price was 264½p.

Mr Sorrell said: "The basic issue is shareholder value." WPP's corporate centre cost £16m-£17m a year. "One must compare that with the extra revenue it brings." At present, about 25 per cent of WPP's £1.7bn revenues tnvolved co-operation betweeu group companies. "If you work that through, it more than covers the cost," he said.

WPP would also look for intangible benefits from working as a group. If at the end of four or five years insufficient value was being added, options include divestment, restructuring or reducing the role of the centre to a holding company.

Reed Elsevier advances 10%

By Raymond Snoddy

Raed Elsevier, the Anglo-Dutch information and media group, yesterday announced a rise of nearly 10 per cent in pre-tax profits to £806m ($1.3bn), largely through organic growth.

The results, Mr Nigel Stapleton, joint chairman, said yesterday "were not spectacular, only bloody good".

He pointed out that a 4 per cent earnings dilution from aelling consumer businesses had been absorbed, and a decision taken to invest in long-term developments.

The biggest investment involved preparation for electronic pnblishing.

"We have de-emphasised the importance of acquisitions in our growth," ha said, although Reed Elsevier could manage a £3bn acquisition if the right opportunity came along.

In 1996 the company spent £316m principally in buying Tolley, the UK tax and legal publisher, and a 50 per cent stake in Shepard's, the US legal citation service.

Operating profits at continning operations rose by more than 12 per cent to £856m on sales of £3.38bn (£3.2bn).

The Reed International board also announced yesterday a proposed 2-for-1 share split. The shares slipped 17p to £11.56½p.

RESULTS

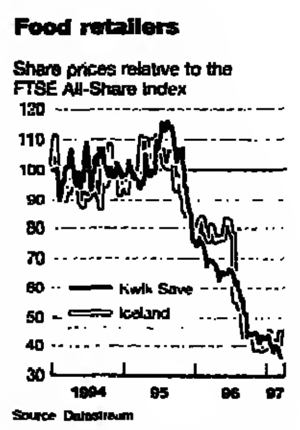
		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Argent	Yr to Dec 31	19.4☐	(15.4☐)	6.67	(13.6)	8.2	(19)	-	-	-	-	-
Baynes (Charles)	Yr to Dec 31	251.1	(202.6)	22.5	(17.7♠)	8.39†	(6.83)	1.85	May 23	1.8	2.9	2.5
Billam	Yr to Dec 31	6.81	(6.85)	0.035	(0.15L)	1.7	(6.4L)	3.1	May 22	3.1	5.3	5.3
Brent Intl	Yr to Dec 31	140.1	(142.5)	10.2♥	(3.53♠)	9.1	(1.7)	2.2	Apr 29	1.4	3.2	2
Church	Yr to Dec 31	79.7	(78.4)	5.37	(4.55)	31.7	(27)	12.5	May 12	11.5	15.75	14.5
Cortecs Intl	6 mths to Dec 31	4	(4.9)	4.3L	(1.6L)	3L	(1.4L)	-	-	-	-	-
Druid	6 mths to Dec 31	9.38	(4.56)	1.8	(0.867)	4.51	(2.03)	0.8	Apr 4	-	-	-
Haden MacLellan	Yr to Dec 31	597.1	(438)	15.5	(11.1)	8.8†	(6.5)	1.6	July 3	1.3	2.6	2.4
Heywood Williams	Yr to Dec 31	636.8	(562.5)	37.2♠	(38.7♥)	21.7	(28.7)	8.8	May 1	8.8	13.8	13.8
Iceland	Yr to Dec 28	1,427	(1,375)	56.2	(72.6)	13.15‡	(17.01)	3.6	May 27	3.6	5.4	5.25
Instem	Yr to Dec 27	22.9	(21.3)	1.32	(1.24)	16.8	(18.1)	3	July 4	2.3	4.5	3.7
Leslie Wise	Yr to Nov 30	68	(66.6)	2.8♥	(1.04♠)	5.29	(1.9)	1.25	Apr 29	2.5	3	4.25
Lionheart	Yr to Dec 31 ★	19.5	(30.7)	12.7L♠	(6.85L♠)	22.4L†	(73.2L)	nil	-	nil	nil	nil
Maunders (John)	8 mths to Dec 31	37.3	(34)	3.1	(2.59)	8.29	(6.75)	2.6	Apr 18	2.45	-	5.7
Malaya	Yr to Dec 31	353.4	(315.2)	2.5♠	(2.1)	1	(0.96)	0.39	May 6	0.33	0.66	0.66
Midland Ind News	Yr to Dec 29	113.9	(98.3)	12♠	(16.3♥)	5.22	(7.91)	2.5	June 5	2.3	3.8	3.5
Reed Intl	Yr to Dec 31 ‡‡	3,381	(3,649)	806	(736)	56.2	(51.7)	18.95	May 28	17	27.2	24.5
Rentokil Initial	Yr to Dec 31	2,340	(874.5)	318♠	(214.5)	17.13	(14.22)	3.58	May 17	2.97	5.06	4.2
Schroders	Yr to Dec 31	-	(-)	238.7	(197.3)	91.9	(71.5)	14	May 2	11.5	20	16
Sea Containers $	Yr to Dec 31	871.7	(497.4)	32.3	(108.7♥)	1.2	(8.27)	-	-	-	-	-
Telewest Comms	Yr to Dec 31	290.3	(191.2※)	249.9L	(114.7L)	17.7L	(10.5L)	-	-	-	-	-
TI	Yr to Dec 31	1,757	(1,703)	232.2♥	(184.8♥)	34.1	(28.5)	9.75	May 30	8.75	14.5	13.1

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Dartmoor	9 mths to Jan 31 ★	113.62	(103.56)	4.82	(6.14)	10.01	(12.73)	3♦	Apr 30	2.9	-	12.5
F&C Enterprise	Yr to Dec 31 ★	140.9	(102.6)	2.81	(1.82)	2.99	(1.72)	2.4	Apr 23	1.2	2.4	1.2
Kleinwort Smaller	Yr to Jan 31 ★	210.2	(175.4)	0.494	(0.526)	3.74	(3.98)	2.3	May 16	2	3.6	3.3
Merchants Trust	Yr to Jan 31 ★	326.4	(295.9)	14	(12.7)	13.66	(12.41)	3.9大	May 23	3.25	13.65大	12.25

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ☐Net rental income. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ‡On reduced capital. ★Comparatives restated. ‡‡Turnover and profit figures relate to combined Reed Elsevier businesses. ※Pro forma. 大Includes Foreign Income Dividend element. ♦Third interim; makes 9p to date.

LEX COMMENT

Iceland



J Sainsbury has been branded the victim of the so-called supermarket wars, but the real losers have been small high-street retailers sucb as Iceland, Kwik Save and Somerfield. Their shares now trade at half Sainsbury's price/earnings ratio. And this may not fully reflect their woes. Superstores bave lower costs and are winning sales with loyalty cards, low prices, own brands and longer opening bours. One solution for the smaller retailers could be industry restructuring. But while food retailers would love to cberry pick the best stores from their weaker competitors, nobody wants the lot. And merging Kwik Save and Iceland would add up to little more than Kwiksand.

Iceland has therefore turned to financial restructuring. And all credit to management for looking at creative methods of rewarding shareholders in this bleak environment. It plans to gear up by buying back 35 per cent of its shares at a premium price. This reduces the dividend and tax bill, and gears up equity returns if profits recover. However, it does not address Iceland's fundamental problem, whicb is that its nicbe as the high-street seller of frozen foods is rapidly evaporating. And other sales initiatives, sucb as home delivery, look unlikely to stop the rot. If profits decline, a leveraged Iceland will have to cut capital expenditure to pay interest, creating a vicious circle of business decline. Shareholders should therefore thank management and accept as mucb of its kind offer as possible.

Iceland plans share buy-back

By Peggy Hollinger

Iceland, the frozen food retail chain, yesterday unveiled plans to distribute £118m ($192.3m) to shareholders and cancel more than a third of its equity in a bid to bring about a rerating of the shares, which have fallen by 30.4 per cent in the past year.

Mr Malcom Walker, chairman and chief executive, said the structure of the payout would allow shareholders to sell if they did not share management's view of the future. "Those who share management's confidence will be able to stay," he said.

Iceland is proposing to pay ordinary shareholders 315p and five sbares for every eight owned, equivaleot to 105p per share.

Mr Walker said be hoped the buy-back would lead to a rerating of the shares. "It is a magical situation wbich should make everyone bappy," he said. The offer represented a 20 per cent premium to the closing price the day before the announcement. Iceland shares closed yesterday 12p higber at 99½p.

Iceland maintained its final pay-out at 3.6p which, witb an increased interim, leaves the total 2.9 per cent higher at 5.4p.

COMMODITIES AND AGRICULTURE

Transgas in Nigerian LNG talks

By Antony Goldman in Lagos

Nigeria's liquefied natural gas company, NLNG, says it is discussing a possible sales agreement with Transgas of Portugal.

NLNG is currently enmeshed in a $10bn contract dispute with Enel, after the Italian state energy company pulled out of a contract to buy about half of the Nigerian output.

NLNG said that it hoped to deliver up to 500m cu m of gas a year to the Portuguese company. Enagas of Spain, Botas of Turkey and Gaz de France are contracted to take about half the total output. But with the remaining 3.5bn cu m expected to have gone to Enel, the proposed new deal will provide small comfort to NLNG.

The $4bn NLNG plant is the costliest single construction project in Africa. Due to start production of about 7bn cu m of gas a year at the end of 1999, the plant will exploit gas reserves from Nigeria's oil fields.

The state-owned Nigerian National Petroleum Corporation has a 49 per cent stake in the plant which is now being built in Bonny in the south-east of the country, with Shell, Elf and Agip holding 51 per cent.

Enel pulled out of a 22-year purchasing contract last November, blaming environmentalists for preventing the construction of the necessary receiving terminal in Italy.

Mr Dan Etete, Nigeria's minister for petroleum resources, returned from talks with Italian government officials and Enel last week claiming to have resolved the dispute. "The project is going on as scheduled," Mr Etete insisted. "Enel has not pulled out. They are taking the entire volume of gas they signed with the NLNG."

However, no details of the talks between Mr Etete and Enel have been given to the consortium. Mr Theo Oerlemans, outgoing managing director of NLNG, insisted that the contract dispute had not been settled and that arbitration proceedings initiated in Switzerland last December would continue.

"We know that Enel are looking for ways to settle this issue, but so far they have produced no specific proposals for us to consider," he said. "At the moment, we have no contract with Enel. And while the signs are more encouraging than three months ago, we will pursue our claim for compensation and damages."

Privately, NLNG officials are angry that the minister's intervention has raised the political profile of a dispute they insist is entirely commercial. European diplomats have also expressed surprise at Italy's decision to grant Mr Eteta a visa, in spite of sanctions designed to prevent all but "indispensable" visits.

However, both Mr Oerlemans and his successor, Mr Steve Ollereanshaw, remain confident that the project – finally approved in 1995, 30 years after its conception – will be finished on time.

"We are already one-third complete and by the end of the year, 50 per cent of the plant will be finished," Mr Oerlemans said.

"We have a good product in an expanding market. There is no doubt that we will enter production and deliver our first shipload of LNG by late 1999."

Manila extends sugar import ban

Veronica Garbutt

Philippines sugar farmers: struggling with a market glut

By Justin Marozzi in Manila

Mr Wilson Gamboa, head of the Philippine Sugar Regulatory Administration, yesterday ordered an extension of the ban on sugar imports until July, amid a financial crisis at the country's principal miller.

He extended the ban to bolster the country's ailing sugar industry, which is struggling to come to terms with a glut in the market. There are now 100,000 tonnes of unsold stocks, the SRA said. Of this, more than a quarter is owned by a subsidiary of Victorias Milling, which last week said it was unable to pay its debts of 4.4bn pesos ($168m).

Mr Gamboa said Victorias, which has been given a 90-day moratorium on principal repayments, would benefit from the release of 27,000 tonnes imported by its subsidiary which would generate up to 324m pesos.

"Victorias continues to suffer as we continue to dilly-dally on our decision to release the stock," he said. The SRA said Victorias had incurred costs of at least 100m pesos in holding the sugar for the past 10 months.

Last year, following falling sugar prices, a drop in production and increased costs, Victorias was hit with a loss of 242m pesos. The company's problem was "purely internal", said Mr Gamboa, and was not symptomatic of the difficulties being faced by the sugar sector.

Some relief is expected to be provided by the 13 per cent increase in the Philippines' sugar quota to the US to 246,000 tonnes, also announced yesterday.

The company has seen its shares plummet by as much as 40 per cent from 5.30 pesos on news of its financial crisis. Yesterday, Victorias shares improved 40 centavos to close at 4.20 pesos.

"There are talks of restructuring the debt and new investors coming in," said one analyst. "But until the fog clears, it's certainly not over."

According to one report, only eight of the 33 creditors exposed to Victorias have their loans collateralised or secured.

Mr Lucio Tan, the Chinese-Filipino tycoon, and San Miguel, the food and beverage giant, have been reported as possible rescuers for the company.

The Philippine government, meanwhile, is coming under increasing pressure from leaders of the sugar industry to increase the 100 per cent tariff on sugar imports to 133 per cent, although it is due to be reduced later this year.

In January, the government said it would move to suspend the 35 per cent tariff discount for refined sugar coming from the other six members of the Association of South-East Asian Nations.

Critics accuse the industry, however, of failing to modernise the infrastructure and to install new capital equipment so the Philippines can compete with countries such as Thailand.

London has big month for gold

By Kenneth Gooding, Mining Correspondent

February was another remarkable month in the gold market, with deals worth $14bn cleared every working day in London, the international settlement centre for gold bullion.

The total of 40.3m troy ounces, or 1,253 tonnes, topped that of January, also a month of heavy turnover, when 37.2m ounces worth $13.2bn were cleared daily, according to the London Bullion Market Association.

The smaller increase in the value of gold cleared reflected a lower average gold price in February - $346.58 an ounce against $355.10.

Mr Alan Baker, chairman of the LBMA, said the statistics confirmed anecdotal evidence that bullion dealers had become much busier since the start of the year, when the gold price became more volatile.

"There was a maelstrom in the market in January and February," he said, caused by investment funds attempting to push the gold price down and the upsurge in demand for physical gold this encouraged. "Refineries were busier than they had been for a decade or two."

Mr Baker suggested, however, that the market, and business, had quietened down in March.

The association decided only recently to collect and publish London gold market data so it does not have figures for February last year that would have provided a precise comparison.

The daily average volume of silver fall from 294.4m ounces in January to 275m ounces last month but as the average silver price was higher, the value of turnover was unchanged at $1.4bn.

Zinc prices on LME touch 4½-year peak

MARKETS REPORT

By Kenneth Gooding and Robert Corzine in London and Laurie Morse in Boca Raton

Zinc prices moved to their highest in 4½ years on the London Metal Exchange in early trading yesterday.

The price of zinc for immediate delivery has risen by 20 per cent since the end of December as sentiment has turned increasingly bullish.

Mr Jim Lennon, analyst at Macquarie, the Australian banking group, suggests the zinc market will be undersupplied this year and that stocks are likely to fall to critical levels in the summer. Macquarie is forecasting an average cash zinc price of $1,235 a tonne in 1997 and $1,435 in 1998.

The premium for copper for immediate delivery eased yesterday after Southern Peru Copper, Peru's biggest producer, said its operations were back to normal. SPCC shut down for a week after flooding damaged rail and road links at its facilities. It said it would lose about 1,815 tonnes of production.

Soyabean prices on the Chicago Board of Trade fell back slightly yesterday morning after a turbulent day on Tuesday when prices hit life-of-contract highs.

The US Department of Agriculture in a report on Tuesday trimmed its estimata of US soyabean exports, increasing Brazil's share, and sdyabean prices for May delivery rose to a high of $8.66 a bushel.

Maize prices also headed lower as reports of Chinese exports trickled into the market. China was a net maize importer in the last marketing year, but USDA said the Asian giant would export at least 1m metric tonnes this year.

Oil rallied in spite of bearish US inventory data. Brent Blend for April delivery, the international benchmark, was $19.39 a barrel in late London trading, up 15 cents on Tuesday's close.

Prices had dipped below $19 earlier when American Petroleum Institute data showed US crude oil supplies had risen to more than 304m barrels, compared with 297m a week earlier.

India may lift cotton exports

By Kunal Bose in Calcutta

The Indian government is considering increasing cotton export quotas in an attempt to lift prices.

So far 1.22m 170kg bales of cotton have been released for export in 1996-97. With domestic demand weak, the government is likely to allow further exports of up to 500,000 bales.

Trade sources say local prices are between 10 per cent and 15 per cent lower than in the previous season as textile mills, which are facing a liquidity crisis, are building stocks very slowly. Several farmers' organisations have warned that there will be a change of land use from cotton to other crops if prices do not improve.

It will, however, not be easy to export so much cotton by the September year-end. Besides this season's quota, 430,000 bales are left over from last year.

Also the monsoon beginning in June will slow port activity.

The Textile Commissioner's office has set up a special body to expedite cotton exports. Last year India exported 800,000 bales.

An export official explained that India had lost custom abroad because of the highly restrictive cotton export policy of the past.

"For example, Japan, which used to buy large quantities of coarse cotton from us, is now mainly sourcing it from other countries," he said.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1636-37	1667.5-68
Previous	1641-2	1672.5-3.0
High/low	1646	1684/1664
AM Official	1645-45.5	1675-75.5
Kerb close		1665-66
Open int.	270,345	
Total daily turnover	48,658	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1522-23	1545-50
Previous	1530-40	1550-60
High/low		1550/1300
AM Official	1523-28	1548-50
Kerb close		1545-50
Open int.	6,324	
Total daily turnover	6,324	

■ LEAD ($ per tonne)

Close	687-9	687-8
Previous	667-8	671-1.5
High/low	691	694/674
AM Official	691-2	692-2.5
Kerb close		692-3
Open int.	38,570	
Total daily turnover	10,811	

■ NICKEL ($ per tonne)

Close	7945-55	8050-60
Previous	7875-85	7980-90
High/low	7920	8120/8010
AM Official	7920-25	8025-30
Kerb close		8070-80
Open int.	51,699	
Total daily turnover	13,853	

■ TIN ($ per tonne)

Close	5985-95	5995-6005
Previous	5960-70	5970-75
High/low		6080/5960
AM Official	6005-15	6010-15
Kerb close		6030-40
Open int.	16,871	
Total daily turnover	9,721	

■ ZINC, special high grade ($ per tonne)

Close	1245-46	1266-67
Previous	1237.5-8.5	1253-4
High/low		1280/1262
AM Official	1249-50	1268-69
Kerb close		1274-75
Open int.	67,483	
Total daily turnover	31,175	

■ COPPER, grade A ($ per tonne)

Close	2387-89	2340-41
Previous	2409-12	2346-7
High/low	2402/2401	2369/2322
AM Official	2402-03	2350-51
Kerb close		2337-38
Open int.	142,473	
Total daily turnover	58,132	

■ LME AM Official £/$ rate: 1.5907
LME Closing £/$ rate: 1.5940

Spot: 1.5928 3 mths: 1.5904 6 mths: 1.5882 9 mths: 1.5865

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	112.20	-2.80	115.10	111.90	1,323	7,070
Apr	110.65	-2.20	111.60	110.10	556	3,719
May	108.85	-1.80	110.95	108.10	7,461	24,146
Jun	107.25	-1.50	107.40	106.60	7	990
Jul	105.75	-1.80	107.30	105.00	517	7,684
Aug	104.90	-1.55	105.50	105.00	5	648
Total					10,004	58,234

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	352.70-353.20		
Opening	354.20-354.50		
Morning fix	353.15	221.80	520.54
Afternoon fix	351.40	220.59	516.56
Day's High	354.20-354.50		
Day's Low	351.40-351.70		
Previous close	350.90-351.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.17	6 months	4.09
2 months	4.15	12 months	4.07
3 months	4.11		

Silver Fix	p/troy oz.	US cts equiv.
Spot	328.30	522.75
3 months	332.85	523.30
6 months	337.40	535.85
1 year	346.75	549.15

Gold Coins	$ price	£ equiv.
Krugerrand	353-355	222-223
Maple Leaf	-	-
New Sovereign	82-85	51-53

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	352.6	-1.9	-	-	37,620	-
Apr	353.2	-1.8	355.4	351.9	27,076	64,330
Jun	355.8	-1.7	357.3	354.4	1,588	28,410
Aug	358.0	-1.6	358.5	357.9	378	10,309
Oct	360.4	-1.6	361.7	359.7	8	5,947
Dec	363.0	-1.6	364.0	362.4	686	21,270
Total					46,368	170,832

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Apr	384.1	-2.5	388.5	382.5	2,776	17,875
Jul	386.2	-2.7	388.7	385.0	438	3,566
Oct	388.5	-2.7	390.0	387.0	25	2,088
Jan	390.6	-2.7	-	-	4	1,123
Total					3,243	24,752

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Mar	152.55	-6.70	153.00	151.00	100	148
Jun	154.40	-6.85	159.50	153.00	1,472	10,061
Sep	155.40	-6.85	158.50	156.00	277	725
Dec	156.40	-6.85	-	-	7	189
Total					1,856	11,141

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Mar	518.2	-5.5	526.0	519.5	101	751
May	522.8	-5.7	530.5	521.0	11,361	58,931
Jul	527.7	-5.7	535.0	528.5	260	12,701
Sep	532.8	-5.7	536.0	533.0	75	3,336
Dec	540.3	-5.7	546.5	541.0	51	5,288
Jan	543.3	-5.7	-	-	-	14
Total					11,867	80,819

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	20.58	+0.45	20.80	19.86	42,829	74,313
May	20.65	+0.36	20.85	20.05	37,275	64,169
Jun	20.85	+0.35	20.80	20.07	18,194	52,205
Jul	20.66	+0.41	20.70	20.15	8,049	24,631
Aug	20.58	+0.37	20.75	20.15	3,436	18,533
Sep	20.52	+0.34	20.52	20.15	2,709	13,571
Total					125,446	420,181

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	19.60	+0.36	19.66	18.90	27,005	26,514
May	19.41	+0.31	19.50	18.83	25,154	72,186
Jun	19.34	+0.35	19.36	18.81	4,671	22,355
Jul	19.29	+0.30	19.34	18.81	755	12,165
Aug	19.27	+0.26	19.30	18.90	175	6,290
Sep	19.24	+0.25	-	-	-	6,415
Total					na	na

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	54.25	+1.42	54.75	52.55	12,259	33,851
May	54.50	+1.18	54.90	53.10	8,103	17,927
Jun	54.80	+1.08	55.15	53.60	1,926	13,739
Jul	55.25	+0.98	55.40	54.20	2,101	12,548
Aug	56.00	+1.08	56.10	55.90	328	7,521
Sep	56.10	+0.48	56.10	55.75	606	5,135
Total					28,424	122,449

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	183.25	-	165.25	164.00	6,262	8,375
Apr	167.50	+2.25	168.50	164.00	10,149	26,190
May	168.50	+2.00	168.50	165.25	1,586	6,103
Jun	170.00	+1.50	171.00	167.00	1,413	9,973
Jul	171.25	+1.50	170.25	168.50	539	3,807
Aug	172.75	+1.50	171.75	170.50	107	1,649
Total					27,197	68,454

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	1.955	+0.036	2.010	1.910	15,198	31,442
May	2.020	+0.017	2.060	1.990	6,389	24,498
Jun	2.040	+0.015	2.065	2.012	2,618	11,883
Jul	2.050	+0.015	2.070	2.045	1,196	11,163
Aug	2.055	+0.015	2.080	2.050	733	9,049
Sep	2.055	+0.010	2.075	2.050	630	8,035
Total					32,844	174,862

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	64.85	+0.99	65.25	63.40	11,080	31,274
May	64.70	+0.88	65.00	63.30	6,382	24,275
Jun	64.05	+1.05	64.20	62.80	1,445	14,757
Jul	63.00	+1.08	63.25	62.10	822	8,882
Aug	61.75	+1.33	61.75	60.60	165	4,324
Sep	60.00	+1.08	59.40	59.10	95	2,249
Total					20,089	85,969

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	96.80	+0.85	96.50	96.35	11	107
May	98.90	+1.05	99.00	98.25	320	3,306
Jul	101.25	+1.10	101.25	100.40	136	1,153
Sep	93.00	+1.10	93.00	92.10	21	33
Nov	94.85	+0.95	94.85	94.75	64	2,057
Jan	96.85	+0.95	-	-	-	426
Total					552	7,373

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Mar	376.00	-5.00	383.00	378.00	138	295
May	378.00	-3.00	390.00	378.00	4,378	28,450
Jul	368.00	-4.00	380.00	368.00	10,053	37,908
Sep	370.75	-2.50	380.50	369.50	295	4,008
Dec	380.00	-3.00	390.00	379.00	326	4,510
Mar	378.00	-	388.00	378.00	2	74
Total					15,212	75,433

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Mar	297.75	-10.75	309.00	287.50	8,573	16,397
May	294.50	-11.25	305.75	293.75	50,093	163,948
Jul	293.50	-11.25	304.75	292.75	15,262	108,494
Sep	282.50	-7.75	289.50	282.00	1,307	15,563
Dec	280.75	-7.00	287.50	280.00	8,313	72,130
Mar	285.50	-7.50	291.75	285.00	423	6,645
Total					84,165	386,644

■ BARLEY LIFFE (£ per tonne)

Mar	89.50	-	89.20	89.20	15	65
May	90.25	+0.25	90.00	89.50	29	135
Sep	80.75	+0.50	-	-	-	28
Nov	82.75	+0.50	-	-	-	400
Jan	84.75	+0.50	-	-	-	32
Total					44	660

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Mar	822.50	-29.25	854.00	819.50	1,940	3,941
May	828.50	-27.00	860.50	825.00	55,508	89,098
Jul	831.50	-26.50	862.00	828.00	20,523	58,350
Aug	823.50	-26.50	851.25	822.00	2,360	7,753
Sep	768.50	-19.75	791.50	768.00	1,221	4,721
Nov	722.50	-13.00	740.00	719.00	7,579	29,826
Total					88,432	198,043

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Mar	24.97	-0.81	25.75	24.95	5,229	4,390
May	25.34	-0.83	26.17	25.18	18,706	57,729
Jul	25.76	-0.78	26.60	25.60	5,066	30,263
Aug	25.85	-0.80	26.60	25.78	787	5,289
Sep	25.97	-0.78	26.55	25.90	198	3,300
Oct	26.10	-0.75	26.60	26.10	339	2,982
Total					29,428	114,148

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Mar	267.5	-9.6	277.4	267.0	4,002	5,477
May	266.0	-7.8	275.0	265.0	18,152	49,134
Jul	263.6	-7.2	272.5	263.0	8,299	29,049
Aug	257.3	-6.7	264.5	257.0	2,825	8,127
Sep	243.5	-5.9	250.8	243.2	764	5,265
Oct	225.5	-3.5	230.4	224.5	305	4,019
Total					33,654	110,337

■ POTATOES LIFFE (£/tonne)

Apr	51.5	+1.0	52.0	51.0	81	777
May	57.5	+0.6	57.0	57.0	11	280
Jun	69.0	+1.0	-	-	-	-
Nov	59.0	+1.0	-	-	-	2
Mar	94.0	+1.0	-	-	-	-
Apr	106.5	+2.5	109.0	106.0	47	684
Total					117	1,753

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Mar	1520	+20	1525	1515	45	491
Apr	1620	+20	1620	1610	49	1,175
May	1585	+15	1585	1580	25	349
Jul	1340	+20	1345	1330	50	706
Oct	1442	+10	1436	1435	6	226
Jan	1455	+15	-	-	-	47
Total					181	2,994

	Close	Prev
BFI	1464	1446

FUTURES DATA
All futures data supplied by CMS.

Nuts and seeds
Prices from Kenkoy: US$ a tonne. Iranian pistachios 28/30 raw (in-shell) naturally opened (round): RPPC new crop prices up, 4,000 CFR; long type sold out. Walnuts US in-shell: 2,700 FCA Spain; East Europe LHP mix: 4,500 CPT Europe. Turkish hazelnuts standard No 1: very unstable, 4,800 CFR. Sultanas Turkish and Iranian: 1,100 CFR MEP. Indian cashews raw W-320: 5,600 CFR MEP firm; spot goods 5,700 FCA Rotterdam; new crop shipment from April W320 5,550. US pecans fancy junior mammoth halves: firm 6,300 FOB, few goods available. US almonds: crop 1996: 30/40 SSR 6,590 FAS, spot market sold out; crop 1997 23/25 SSR 4,600 CFR MEP unstable. Coconut: CFR 1,360 for top Philippine goods, down; spot 1,500. Pine kernels: Chinese up, 17,500; Pakistan down, 10,200.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	994	-3	1004	992	202	1,110
May	1006	-4	1022	993	4,843	32,309
Jul	1014	+2	1023	1002	1,828	14,542
Sep	1017	+1	1026	1007	289	12,724
Dec	1020	+1	1027	1010	1,583	22,704
Mar	1037	+4	1042	1028	793	21,332
Total					16,408	126,122

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1352	-37	1380	1350	89	83
May	1414	-37	1438	1410	18,233	30,118
Jul	1439	-33	1461	1430	6,004	19,059
Sep	1459	-33	1479	1450	1,247	11,873
Dec	1488	-33	1503	1478	635	7,458
Mar	1512	-36	1522	1505	398	17,556
Total					26,737	99,823

■ COCOA (ICCO) (SDR's/tonne)

Mar 11	Price	Prev. day
Daily	1115.02	1075.93

■ COFFEE LIFFE ($/tonne)

Mar	1755	-31	1778	1751	101	2,076
May	1735	-30	1765	1728	2,539	25,421
Jul	1732	-28	1761	1730	1,150	10,592
Sep	1722	-23	1753	1725	871	4,532
Nov	1697	-23	1717	1700	53	2,361
Jan	1676	-22	1699	1680	78	529
Total					4,870	45,823

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Mar	215.85	-3.35	221.00	215.00	203	1,003
May	195.10	-7.05	205.50	195.00	8,516	22,620
Jul	181.20	-6.15	188.00	180.00	1,983	7,895
Sep	167.90	-5.20	174.00	167.10	932	4,773
Dec	152.85	-3.55	157.50	152.00	383	3,281
Mar	145.00	-1.25	147.00	144.00	52	749
Total					12,081	40,486

■ COFFEE (ICO) (US cents/pound)

Mar 11		Prev. day
Comp. daily	148.82	144.85
15 day average	134.01	132.18

■ WHITE SUGAR LIFFE ($/tonne)

May	304.7	-2.1	307.2	304.7	1,129	14,423
Aug	303.8	-1.4	305.9	303.9	165	4,489
Oct	300.5	-0.5	301.7	300.3	86	3,080
Dec	300.4	-0.3	301.2	300.4	31	881
Mar	301.3	-0.7	302.2	301.0	124	534
May	299.8	-1.1	-	-	-	159
Total					1,535	23,586

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

May	10.77	-0.15	10.88	10.75	7,162	74,080
Jul	10.55	-0.10	10.67	10.54	2,853	34,851
Oct	10.50	-0.07	10.59	10.49	2,099	25,363
Mar	10.50	-0.06	10.56	10.50	911	11,785
May	10.51	-0.04	10.55	10.50	266	1,993
Jul	10.51	-0.04	10.55	10.52	382	1,010
Total					13,513	149,479

■ COTTON NYCE (50,000lbs; cents/lbs)

May	76.15	-1.50	77.35	76.00	10,470	38,107
Jul	77.13	-1.26	78.10	77.00	5,081	15,991
Oct	77.45	-0.75	77.75	77.40	316	1,557
Dec	77.50	-0.75	78.15	77.40	3,769	20,886
Mar	78.30	-0.70	78.80	78.30	392	1,557
May	78.72	-0.65	-	-	2	488
Total					20,087	78,382

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

May	81.95	+0.40	83.20	80.30	3,959	15,036
Jul	84.50	+0.30	85.50	83.20	611	5,264
Sep	85.55	+0.35	87.25	85.50	186	3,886
Nov	88.75	+0.35	88.50	87.30	94	1,062
Jan	90.25	+0.25	89.00	88.95	6	671
Mar	92.25	-2.20	92.20	91.00	21	280
Total					4,877	26,236

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Mar 12	Mar 11	month ago	year ago
2018.5	2012.4	1960.0	2135.6

■ CRB Futures (Base: 1967 = 100)

Mar 11	Mar 10	month ago	year ago
247.14	247.19		

■ GSCI Spot (Base: 1970 = 100)

Mar 10	Mar 7	month ago	year ago
192.71	194.07	195.09	193.68

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	68.825	+0.125	69.700	68.500	9,115	39,348
Jun	64.975	-0.175	65.350	64.600	4,916	24,229
Aug	63.575	-0.025	63.800	63.250	1,672	20,073
Oct	66.900	-0.200	67.375	66.750	751	14,554
Dec	68.900	-0.225	69.375	68.775	295	6,839
Feb	70.300	-0.075	70.600	70.050	67	2,866
Total					16,826	108,639

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Apr	69.075	-0.100	69.475	68.700	5,328	11,966
Jun	76.300	+0.075	76.600	75.850	4,079	10,882
Jul	74.975	+0.300	75.050	74.450	632	2,739
Aug	71.875	+0.200	72.000	71.450	397	2,362
Oct	65.950	+0.200	65.950	65.500	163	1,432
Dec	63.950	+0.100	64.150	63.800	124	895
Total					10,785	30,844

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Mar	73.825	-1.850	75.000	73.200	391	341
May	74.425	-2.075	76.350	74.250	2,647	5,386
Jul	74.500	-1.800	75.950	74.050	423	1,484
Aug	72.075	-1.675	73.500	72.075	34	541
Feb	70.550	+3.000	70.550	70.300	2	2
Total					3,497	7,735

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1600	55	106	16	41
1700	11	55	72	89
1800	1	25	161	157
■ COPPER (Grade A) LME	**Apr**	**Jul**	**Apr**	**Jul**
2200	182	151	3	61
2300	96	89	17	106
2400	37	58	58	166
■ COFFEE LIFFE	**May**	**Jul**	**May**	**Jul**
1700	120	187	85	155
1750	95	164	110	182
1800	75	147	140	215
■ COCOA LIFFE	**May**	**Jul**	**May**	**Jul**
950	67	87	11	28
975	50	71	19	32
1000	36	57	30	43
■ BRENT CRUDE IPE	**Apr**	**May**	**Apr**	**May**
1900	-	87	a	-
1950	-	-	-	-
2000	-	33	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) +or-

Dubai	$18.02-8.13w	+0.38
Brent Blend (dated)	$18.87-8.89	+0.35
Brent Blend (Apr)	$19.41-9.43	+0.47
W.T.I.	$20.41-0.42w	+0.305

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$213-215	+2
Gas Oil	$168-170	+3
Heavy Fuel Oil	$80-81	
Naphtha	$193-198	-0.5
Jet fuel	$190-192	+1.0
Diesel	$179-181	+3

■ NATURAL GAS (Pence/therm)

Bacton (Mar)	8.70-8.90	-0.10

Petroleum Argus. Tel. London (0171) 359 8792

IPE (Apr)	9.785	-0.050

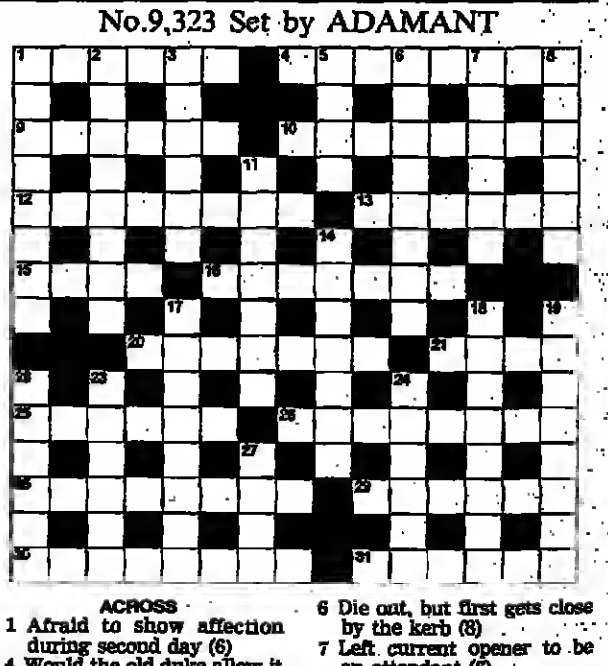
■ OTHER

Gold (per troy oz)♣	$352.95	+1.60
Silver (per troy oz)♣	527.00c	+4.00
Platinum (per troy oz.)	$350.50	-2.75
Palladium (per troy oz.)	$151.50	-6.00
Copper	121.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.38r	+0.09
Tin (New York)	278.50	+8.00
Cattle (live weight)	98.36p	+0.18*
Sheep (live weight)	150.55p	+5.77*
Pigs (live weight)†	83.99p	+0.60*
Lon. day sugar (raw)	$273.30	-1.70
Lon. day sugar (wte)	$310.00	-2.00
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Apr)♥	79.75p	
Rubber (May)♥	79.75p	
Rubber (KL RSS No1)	306.0x	
Coconut Oil (Phil)§	750.0y	-2.5
Palm Oil (Malay.)§	550.0	-20.0
Copra (Phil)§	$490.0y	-5.0
Soyabeans (US)	239.0	-2.0
Cotton Outlook'A' index	82.35	
Wooltops (64s Super)	418p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w Apr y Apr/May♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 3,558 head of pigs sold.

CROSSWORD

No.9,323 Set by ADAMANT



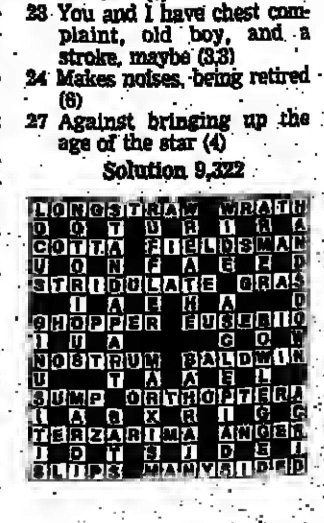
ACROSS

1 Afraid to show affection during second day (6)
4 Would the old duke allow it to be thrown down? (8)
8 Sound pleased about the stock exchange steward (6)
10 Having saved, can organise loans (8)
12 Lives round the university on left overs (8)
13 Tea's brewed with main service being at the back (6)
15 The leaders of Italy love seeing paintings (4)
16 A patient manner (7)
20 The definite answer? Makes it clear anyway (7)
21 Hit back at cross economist (4)
25 Troubled peacekeepers taking ecstasy, say it's nonsense (6)
26 Normal seating on a thoroughfare (8)
28 Be a tutor, developing a musical instrument (8)
29 The strengths of spirit for the early draughts, we hear (6)
30 Lord of impressive island (8)
31 An indication of pressure is nothing to lawyers (6)

DOWN

1 Higher stretch of water (8)
2 When bolding looser arrangement of spray cans (8)
3 Finishes accepting Middle Eastern changes (6)
5 Very good of French assistant (4)
6 Die out, but first gets close by the kerb (8)
7 Left current opener to be an attendant (6)
8 It comes up with sensible healthy drink (6)
11 An advantage of making fine mess in wager (7)
14 To sail away to the orient could leave someone on their own (7)
17 Engineers, extremely suspicious, are in unadulterated influence (8)
18 Tom and Bill have no doctor in underground refuge (8)
19 Neat one dries out for rust-proofing agent (8)
22 Fasten casual shirt on first, however (6)
23 You and I have chest complaint, old boy, and a stroke, maybe (3,3)
24 Makes noises, being retired (6)
27 Against bringing up the age of the star (4)

Solution 9,322



CURRENCIES AND MONEY

Davies "misquote" hits sterling

MARKETS REPORT

By Simon Kuper

Sterling nosedived on remarks from Mr Howard Davies, deputy governor of the Bank of England, even though his main reported comment was later said to have been a misquote.

Mr Davies was quoted yesterday morning in Tokyo as having said that the pound was too strong against the D-Mark. Later, tha UK embassy in Tokyo told Reuters that this was just his gauge of the market's view.

The pound also suffered on Mr Davies' comment that the UK was likely to hit the government's inflation target of 2.5 per cent during this year. Mr Davies said that the Bank of England would like UK base rates to be 25 basis points above their present level of 6 per cent. This failed to buoy the pound, but caused the money markets to revise upwards their expectations of future rate levels. The short sterling futures contract for June 1998 dipped 7 points to price in base rates of just over 7 per cent.

Weak UK manufacturing figures also damaged the pound. It lost 2.7 pfennigs against the D-Mark to close in London at DM2.710, and has now dropped 6 pfennigs since last Thursday. It hit five-month lows against the dollar, sliding 1.2 cents to $1.593 and holding below the key $1.60 level all day.

The dollar slipped against the D-Mark after Mr Hans Tietmeyer, president of the Bundesbank, again said the dollar's rise against the German currency was over. "We do not want to see a correction that goes beyond the market fundamentals," he said. "We are interested in a stable D-Mark." The dollar dropped 0.4 pfennigs in London to DM1.701, and in US hours fell through support at DM1.70 to trade at DM1.697.

Both the US and German currencies rose against the yen, the dollar by Y0.8 to Y122.7 and tha D-Mark by Y0.63 to Y72.10. The yen's fall surprised some in the market, as Mr Hiroshi Mitsuzuka, Japan's finance minister, had said that a drop below Y125 against the dollar could provoke trade frictions with the US.

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said the market had decided that Y125 was a target as well as a potential cap for the dollar.

Mr Robin Marshall, head of European economic research at Chase in London, added that the yen may be suffering because Japanese investors seem to have stopped repatriating profits ahead of their financial year-ends. The end of repatriation could help explain the Australian dollar's recent rise, he said.

■ The Swedish krona, under pressure for a while, fell from SKr4.476 to SKr4.517 against the D-Mark on tame Swedish inflation data for February. There is market concern about Sweden's budget deficit.

■ Few currency strategists believe market talk that European mooetary union will be delayed. France and Germany, at their summit yesterday, said Emu would start in 1999 as planned.

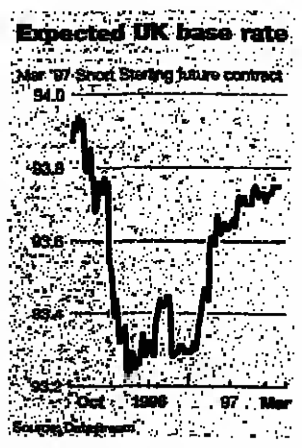
That had little effect on trading. To quote Mr Steven Englander, international economist at Smith Barney in Paris: "If you don't get some enthusiasm for Emu out of the governments of France and Germany, then the euro is really in tronble."

Mr Englander believes Emn will proceed on time because "there's very little that's gained by delay. You're only giving the market a chance to put pressure on some currencies – such as the lira and the peseta – that have been reasonably solid." After a delay, he said, the market would have no confidence that any new Emu timetable would hold.

Mr Avinasb Persaud, currency strategist at JP Morgan in London, pointed out that the markets believe Emu will go ahead. His Emu calculator shows that the interest rate swaps market still thinks it is 100 per cent certain that a core of nations including Germany and France will join Emu.

However, the calculator shows that the market thinks the chances of Italy joining have slimmed sharply to just 56 per cent. This belief has been reflected in the fall in Italian bonds. The lira, however, has held steady. Mr Persaud believes that it too will fall when Italian investors adopt the international view that Italy will miss the start of Emu.

Expected UK base rate



Source: Datastream

■ **Pound in New York**

Mar 12	—Latest—	– Prev. close –
£ spot	1.5965	1.6075
1 mth	1.5977	1.6058
3 mth	1.5980	1.6050
1 yr	1.5900	1.5995

■ **OTHER CURRENCIES**

Mar 12	£	$
Czech Rp	46.2701 - 46.3469	29.0550 - 29.0850
Hungary	281.538 - 281.795	176.790 - 176.840
Iran	4780.50 - 4777.50	3000.00 - 3000.00
Kuwait	0.4836 - 0.4841	0.3037 - 0.3039
Poland	4.9001 - 4.9112	3.0770 - 3.0820
Russia	9070.88 - 9079.76	5698.00 - 5698.00
U.A.E.	5.8445 - 5.8545	3.6700 - 3.6740

POUND SPOT FORWARD AGAINST THE POUND

Mar 12		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.0741	-0.1934	835 - 847	19.3455	19.0835	19.0306	2.7	18.9741	2.1	-	-	103.8
Belgium	(BFr)	55.9143	-0.5727	649 - 837	56.7080	55.8620	55.7893	2.7	55.5293	2.8	54.2043	3.1	103.7
Denmark	(DKr)	10.3447	-0.0947	398 - 495	10.4798	10.3378	10.3227	2.6	10.2792	2.5	10.0892	2.7	106.0
Finland	(FM)	8.0991	-0.0748	905 - 076	8.2300	8.0905	-	-	-	-	-	-	83.5
France	(FFr)	9.1456	-0.0839	416 - 499	9.2880	9.1413	9.1235	2.9	9.0798	2.8	8.8827	3.1	106.6
Germany	(DM)	2.7103	-0.0274	088 - 117	2.7493	2.7088	2.7037	2.9	2.6902	3.0	2.6234	3.2	105.4
Greece	(Dr)	425.252	-3.879	847 - 656	432.207	424.836	-	-	-	-	-	-	66.8
Ireland	(I£)	1.0244	-0.0046	234 - 254	1.0302	1.0234	1.0241	0.4	1.0232	0.5	1.0186	0.6	102.4
Italy	(L)	2702.56	-29.43	123 - 386	2733.71	2699.15	2705.96	-1.5	2710.81	-1.2	2713.81	-0.4	75.9
Luxembourg	(LFr)	55.9143	-0.5727	649 - 837	56.7080	55.8620	55.7893	2.7	55.5293	2.8	54.2043	3.1	103.7
Netherlands	(Fl)	3.0507	-0.0311	493 - 520	3.0941	3.0493	3.0436	3.2	3.0268	3.1	2.9513	3.2	103.3
Norway	(NKr)	10.8375	-0.1033	305 - 425	11.0063	10.8250	10.8213	2.7	10.7645	2.7	10.5388	2.8	96.2
Portugal	(Es)	271.845	-2.864	661 - 011	275.509	271.661	271.986	-0.8	272.271	-0.8	-	-	94.5
Spain	(Pta)	229.876	-2.476	786 - 950	232.980	229.786	230.011	-0.7	229.876	0.0	228.403	0.6	77.9
Sweden	(SKr)	12.2267	-0.0184	080 - 455	12.3632	12.2014	12.2177	0.9	12.1766	1.6	11.9622	2.1	84.1
Switzerland	(SFr)	2.3354	-0.0318	336 - 369	2.3743	2.3338	2.3266	4.5	2.3067	4.8	2.2245	4.7	103.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	96.8
Ecu	-	1.3959	-0.012	951 - 966	1.4151	1.3950	1.3937	1.9	1.390	2.0	1.3639	2.3	-
SDR†	-	1.168178	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5927	-0.0122	922 - 932	1.6002	1.5888	-	-	-	-	-	-	-
Brazil	(R$)	1.6792	-0.0118	785 - 799	1.6854	1.6742	-	-	-	-	-	-	-
Canada	(C$)	2.1737	-0.0195	726 - 748	2.2005	2.1708	2.1679	3.2	2.1571	3.1	2.1125	2.8	85.9
Mexico	(New Peso)	12.6747	-0.1435	687 - 807	12.8325	12.6598	-	-	-	-	-	-	-
USA	($)	1.5930	-0.0122	925 - 935	1.6095	1.5889	1.5921	0.7	1.5903	0.7	1.5836	0.6	104.2
Pacific/Middle East/Africa													
Australia	(A$)	2.0042	-0.0212	029 - 054	2.0501	2.0000	2.0041	0.1	2.0033	0.2	1.9982	0.2	89.4
Hong Kong	(HK$)	12.3354	-0.0937	307 - 401	12.4827	12.3044	12.3308	0.5	12.3198	0.5	12.2797	0.5	-
India	(Rs)	57.0684	-0.45	465 - 302	57.8240	56.9700	-	-	-	-	-	-	-
Israel	(Shk)	5.3631	-0.0417	585 - 686	5.4129	5.3565	-	-	-	-	-	-	-
Japan	(Y)	195.350	-0.252	209 - 491	197.230	194.860	194.36	0.0	192.52	5.9	183.81	5.8	123.7
Malaysia	(M$)	3.9424	-0.0281	403 - 444	3.9787	3.9360	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2589	-0.0257	550 - 567	2.2817	2.2510	2.2598	-1.5	2.2649	-1.4	2.2851	-1.3	117.1
Philippines	(Peso)	41.9318	-0.3211	987 - 648	41.8437	41.8687	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9743	-0.046	722 - 764	6.0340	5.9593	-	-	-	-	-	-	-
Singapore	(S$)	2.2834	-0.0157	821 - 846	2.3044	2.2806	-	-	-	-	-	-	-
South Africa	(R)	7.0227	-0.0692	181 - 273	7.1355	7.0181	-	-	-	-	-	-	-
South Korea	(Won)	1397.86	-12.31	423 - 148	1412.51	1394.26	-	-	-	-	-	-	-
Taiwan	(T$)	43.8713	-0.3038	256 - 169	44.2613	43.7563	-	-	-	-	-	-	-
Thailand	(Bt)	41.3224	-0.3825	696 - 752	41.7580	41.2400	-	-	-	-	-	-	-

† Rates for Mar 11. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 12		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	11.9737	-0.0295	708 - 766	12.0495	11.9655	11.9589	1.5	11.9137	2.0	11.7187	2.1	103.4
Belgium	(BFr)	35.1000	-0.09	800 - 200	35.3150	35.0670	35.04	2.1	34.9125	2.1	34.3725	2.1	103.5
Denmark	(DKr)	6.4938	-0.0097	928 - 948	6.5271	6.4880	6.4849	1.6	6.4665	1.7	6.3948	1.7	105.2
Finland	(FM)	5.0842	-0.0079	804 - 879	5.1364	5.0800	5.0754	2.1	5.0567	2.2	4.9742	2.2	82.7
France	(FFr)	5.7411	-0.0067	402 - 420	5.7706	5.7352	5.7304	2.2	5.7094	2.2	5.6011	2.4	106.0
Germany	(DM)	1.7014	-0.0041	010 - 017	1.7121	1.6990	1.6982	2.3	1.6917	2.3	1.658	2.5	104.7
Greece	(Dr)	266.950	-0.45	780 - 120	269.240	266.330	268.505	-7.0	271.075	-6.2	282.1	-5.7	66.3
Ireland	(I£)	1.5551	-0.0052	541 - 561	1.5640	1.5474	1.5548	0.3	1.5541	0.3	1.5554	0.0	-
Italy	(L)	1696.53	-1.07	625 - 680	1702.80	1694.37	1699.25	-2.1	1704.28	-1.9	1714.16	-1.0	75.6
Luxembourg	(LFr)	35.1000	-0.09	800 - 200	35.3150	35.0670	35.04	2.1	34.9125	2.1	34.3725	2.1	103.5
Netherlands	(Fl)	1.9151	-0.0048	148 - 153	1.9275	1.9131	1.9113	2.4	1.9033	2.5	1.8676	2.5	102.9
Norway	(NKr)	6.8032	-0.0126	022 - 042	6.8545	6.7845	6.7995	0.7	6.7936	0.6	6.7682	0.5	101.6
Portugal	(Es)	170.650	-0.5	600 - 700	171.590	170.600	170.78	-0.9	170.93	-0.7	170.665	0.0	95.2
Spain	(Pta)	144.305	-0.445	260 - 350	145.100	144.220	144.395	-0.8	144.515	-0.6	144.31	0.0	77.5
Sweden	(SKr)	7.6818	+0.047	778 - 858	7.7130	7.6620	7.6788	0.4	7.669	0.7	7.6216	0.8	84.3
Switzerland	(SFr)	1.4660	-0.0087	655 - 665	1.4788	1.4640	1.4612	3.9	1.4518	3.9	1.4062	4.1	102.4
UK	(£)	1.5930	-0.0122	925 - 935	1.6095	1.5889	1.5921	0.7	1.5903	0.7	1.5835	0.6	97.3
Ecu	-	1.1413	+0.0011	410 - 415	1.1425	1.1348	1.1424	-1.2	1.145	-1.3	1.1603	-1.7	-
SDR†	-	0.72650	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0541	+0.0006	540 - 542	1.0542	1.0538	-	-	-	-	-	-	-
Canada	(C$)	1.3648	+0.0017	643 - 648	1.3665	1.3631	1.3618	2.5	1.3585	2.4	1.3351	2.2	85.5
Mexico	(New Peso)	7.9585	-0.029	540 - 580	7.9620	7.9520	8.0745	-17.8	8.341	-18.3	8.2015	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	104.7
Pacific/Middle East/Africa													
Australia	(A$)	1.2581	-0.0037	577 - 585	1.2587	1.2737	1.2588	-0.7	1.2596	-0.5	1.2649	-0.5	101.1
Hong Kong	(HK$)	7.7435	+0.0005	430 - 440	7.7440	7.7430	7.7434	0.0	7.7439	0.0	7.755	-0.1	-
India	(Rs)	35.8370	-0.008	220 - 520	35.8520	35.8220	36.052	-7.2	36.512	-7.5	-	-	-
Israel	(Shk)	3.3667	-0.0004	650 - 697	3.3697	3.3630	-	-	-	-	-	-	-
Japan	(Y)	122.630	+0.775	580 - 680	122.870	121.850	122.095	5.2	121.07	5.1	116.27	5.2	125.5
Malaysia	(M$)	2.4748	+0.0013	743 - 753	2.4800	2.4715	2.4777	-1.4	2.488	-1.3	2.5043	-1.2	-
New Zealand	(NZ$)	1.4167	+0.0053	158 - 175	1.4174	1.4160	1.419	-1.9	1.4233	-1.9	1.444	-1.9	-
Philippines	(Peso)	26.3225	-	100 - 350	26.3500	26.3100	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-0.0001	502 - 505	3.7510	3.7502	3.7506	-0.1	3.7511	-0.1	3.753	-0.1	-
Singapore	(S$)	1.4334	+0.0011	330 - 337	1.4370	1.4315	1.4312	1.9	1.4266	1.9	1.4054	2.0	-
South Africa	(R)	4.4085	-0.022	070 - 100	4.4475	4.4070	4.4492	-11.1	4.5242	-10.5	4.838	-9.8	-
South Korea	(Won)	877.500	-1	500 - 500	879.500	875.500	-	-	-	-	-	-	-
Taiwan	(T$)	27.5400	+0.02	200 - 600	27.5600	27.5000	27.5401	0.0	27.5403	0.0	-	-	-
Thailand	(Bt)	25.9400	-0.01	150 - 650	25.9650	25.9150	26.03	-4.2	26.1975	-4.0	26.835	-3.5	-

† SDR rate per $ for Mar 11. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 11: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

March 12	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3⅛	3⅛	3½	3⅝	6.00	2.50	-
France	3⅛	3⅛	3⅛	3⅜	3⅜	3.10	-	4.75
Germany	3¼	3⅛	3¼	3⅛	3⅜	4.50	2.50	3.00
Ireland	5⅝	5⅝	5½	5⅜	5⅞	-	-	6.25
Italy	7¼	7⅜	7⅛	7⅛	7⅛	8.25	6.75	7.35
Netherlands	3¼	3⅛	3⅛	3⅛	3⅛	-	3.00	3.30
Switzerland	2	1½	1⅞	1⅞	1⅝	-	1.00	-
US	5⅜	5⅜	5½	5⅝	6⅛	-	5.00	-
Japan	½	½	½	½	⅝	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	5⅜	5½	5⅝	6⅛	-	-	-
US Dollar CDs	-	5.18	5.25	5.35	5.61	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4⅛	-	-	-
SDR Linked Ds	-	3⅛	3⅜	3⅛	3⅛	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 12	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.63	96.63	-	96.64	96.62	6,454	39,365
Jun	96.54	96.54	-0.02	96.55	96.53	7,574	57,910
Sep	96.47	96.45	-0.02	96.47	96.43	5,272	43,265

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.72	96.73	+0.01	96.74	96.72	8899	164315
Jun	96.72	96.73	+0.01	96.73	96.71	17532	195343
Sep	96.61	96.62	+0.01	96.63	96.58	19397	174271
Dec	96.42	96.45	+0.02	96.46	96.40	17560	188425

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.70	96.70	-0.01	96.70	96.70	1	15815
Apr	-	96.75	-	-	-	0	4367
May	96.78	96.78	-	96.78	96.78	1	3098
Jun	-	96.78	-	-	-	0	510

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.87	92.91	-0.07	92.68	92.50	11134	61685
Jun	93.05	92.95	-0.11	93.05	92.93	29355	105352
Sep	93.26	93.18	-0.13	93.27	93.13	13740	49434
Dec	93.33	93.23	-0.15	93.33	93.22	6020	34546

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.08	98.07	-0.02	98.08	98.01	3556	28173
Jun	98.09	98.11	+0.01	98.12	98.04	13278	41073
Sep	98.04	98.08	+0.02	98.08	98.00	3685	20794
Dec	97.93	97.97	+0.03	97.98	97.88	2347	14488

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	99.44	-	-	-	0	n/a
Jun	99.42	99.41	-	99.42	99.42	3000	n/a
Sep	99.32	99.31	-	99.32	99.32	500	n/a

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.72	95.73	-	95.74	95.72	949	8718
Jun	95.73	95.73	-0.01	95.75	95.72	1005	7551
Sep	95.70	95.70	-0.01	95.75	95.70	347	4705
Dec	95.60	95.65	-0.02	95.68	95.65	160	4591

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9250	0.12	0.56	0.85	0.01	0.11	0.19
9275	0.01	0.36	0.67	0.15	0.18	0.26
9300	0	0.24	0.51	0.39	0.29	0.35

Est. vol. total, Calls 20790 Puts 2813. Previous day's open int., Calls 182195 Puts 94957

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 12		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.49	16.36	4.847	1.832	4833	5.457	19.39	486.1	411.0	21.89	4.176	1.789	3.888	2.849	349.5	2.497
Denmark	(DKr)	54.07	10	8.844	2.621	0.990	2613	2.951	10.48	262.9	222.2	11.84	2.258	0.967	2.103	1.541	189.0	1.350
France	(FFr)	61.14	11.31	10	2.963	1.120	2955	3.336	11.85	297.2	251.3	13.38	2.553	1.093	2.377	1.742	213.7	1.527
Germany	(DM)	20.63	3.815	3.375	1	0.378	997.0	1.126	4.000	100.3	84.80	4.517	0.862	0.369	0.802	0.588	72.10	0.515
Ireland	(I£)	54.60	10.10	8.931	2.646	1	2639	2.979	10.59	265.4	224.4	11.95	2.280	0.977	2.123	1.556	190.8	1.363
Italy	(L)	2.069	0.383	0.338	0.100	0.038	100.	0.113	0.401	10.06	8.505	0.453	0.086	0.037	0.080	0.059	7.232	0.052
Netherlands	(Fl)	18.33	3.389	2.997	0.888	0.336	885.6	1	3.553	89.09	75.32	4.012	0.765	0.328	0.713	0.522	64.04	0.458
Norway	(NKr)	51.58	9.539	8.436	2.500	0.945	2493	2.815	10	250.7	212.0	11.29	2.154	0.923	2.006	1.470	180.3	1.288
Portugal	(Es)	20.57	3.804	3.365	0.997	0.377	994.1	1.123	3.988	100.	84.55	4.503	0.859	0.368	0.800	0.586	71.89	0.514
Spain	(Pta)	24.33	4.500	3.980	1.178	0.446	1176	1.328	4.717	118.3	100.	5.326	1.016	0.435	0.946	0.693	85.03	0.607
Sweden	(SKr)	45.68	8.448	7.471	2.214	0.837	2208	2.493	8.856	222.1	187.7	10	1.908	0.817	1.776	1.301	159.6	1.141
Switzerland	(SFr)	23.94	4.428	3.916	1.161	0.439	1157	1.307	4.642	116.4	98.42	5.242	1	0.428	0.931	0.682	83.68	0.598
UK	(£)	55.91	10.34	9.145	2.710	1.024	2702	3.051	10.84	271.8	229.8	12.24	2.335	1	2.174	1.593	195.4	1.396
Canada	(C$)	25.72	4.756	4.207	1.247	0.471	1243	1.403	4.986	125.0	105.7	5.630	1.074	0.460	1	0.733	89.88	0.642
US	($)	35.10	6.491	5.741	1.701	0.643	1696	1.915	6.805	170.6	144.3	7.684	1.466	0.628	1.365	1	122.7	0.876
Japan	(Y)	28.61	5.292	4.680	1.387	0.524	1383	1.561	3.548	139.1	117.6	6.264	1.195	0.512	1.113	0.815	100.	0.714
Ecu		40.05	7.407	6.551	1.941	0.734	1936	2.186	7.765	194.7	164.6	8.768	1.673	0.716	1.557	1.141	140.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5868	0.5876	+0.0003	0.5880	0.5864	15,822	66,846
Jun	0.5906	0.5909	+0.0004	0.5913	0.5897	22,099	50,975
Sep	-	0.5940	-	-	-	1,430	2,410

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8210	0.8161	-0.0054	0.8172	0.8155	13,731	46,474
Jun	0.8323	0.8266	-0.0055	0.8278	0.8260	15,916	38,915
Sep	0.8385	0.8370	-0.0063	0.8385	0.8370	223	581

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6800	0.6825	+0.0024	0.6825	0.6794	9,462	26,355
Jun	0.6864	0.6885	+0.0023	0.6885	0.6827	13,600	31,288
Sep	-	0.6930	+0.0003	0.6330	0.6930	26	1,906

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6060	1.5950	-0.0128	1.5950	1.5888	4,263	27,513
Jun	1.6038	1.5934	-0.0120	1.5934	1.5880	10,483	23,171
Sep	1.5882	1.5882	-0.0148	1.5882	1.5882	21	1,256

UK INTEREST RATES

LONDON MONEY RATES

Mar 12	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅛ - 5⅝	6¼ - 5¹³⁄₁₆	6⅛ - 5¹⁵⁄₁₆	6¼ - 6⅛	6⁷⁄₁₆ - 6⁵⁄₁₆	6¹¹⁄₁₆ - 6⁹⁄₁₆
Sterling CDs	-	-	6⅛ - 5³¹⁄₃₂	6⅛ - 6¹⁄₁₆	6⁹⁄₃₂ - 6⁷⁄₃₂	6⅝ - 6⁹⁄₁₆
Treasury Bills	-	-	5⅞ - 5¾	6 - 5¹⁵⁄₁₆	-	-
Bank Bills	-	-	5¹⁵⁄₁₆ - 5⅞	5³¹⁄₃₂ - 5²⁹⁄₃₂	6⅛ - 6⅛	-
Local authority deps.	5¹³⁄₁₆ - 5⅝	5¹³⁄₁₆ - 5¹¹⁄₁₆	6¹⁄₁₆ - 5³¹⁄₃₂	6⅛ - 6¹⁄₁₆	6¹¹⁄₃₂ - 6⁹⁄₃₂	6²⁹⁄₃₂ - 6¹⁵⁄₁₆
Discount Market deps	5⅞ - 5¾	5⅞ - 5¾	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Feb 28, 5.7574pc. ECGD fixed rate Stg. Export Finance. Make up day Feb 28, 1997. Agreed rate for period Mar 26, 1997 to Apr 21, 1997, Scheme III 7.53pc. Reference rate for period Feb 1, 1997 to Feb 28, 1997, Schemes IV & V 6.266pc. Finance House Base Rate 6½pc from Mar 1, 1997

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.75	93.75	-	93.76	93.75	9838	85851
Jun	93.60	93.57	-0.04	93.64	93.57	16095	134189
Sep	93.42	93.37	-0.06	93.46	93.37	22257	88009
Dec	93.28	93.22	-0.06	93.32	93.21	21054	67690
Mar	93.15	93.09	-0.06	93.16	93.08	3770	46894

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9375	0.01	0.05	0.07	0.01	0.23	0.45
9400	0	0.01	0.03	0.25	0.44	0.66
9425	0	0	0.01	0.50	0.68	0.89

Est. vol. total, Calls 1650 Puts 4585. Previous day's open int., Calls 227680 Puts 192435

EMS EUROPEAN CURRENCY UNIT RATES

Mar 12	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.736776	+0.003119	-7.75	10.41	52
Portugal	197.398	195.720	-0.185	-0.85	2.72	6
Finland	5.85424	5.83051	+0.00421	-0.41	2.26	3
Spain	163.826	165.406	-0.205	0.96	0.87	-7
Netherlands	2.16979	2.19488	-0.00334	1.16	0.68	-9
Denmark	7.34555	7.43948	+0.43948	1.28	0.56	-9
Germany	1.92573	1.95033	-0.00284	1.28	0.56	-13
Belgium	39.7191	40.2328	-0.0569	1.29	0.54	-9
Austria	13.5485	13.7266	-0.018	1.31	0.52	-10
Italy	1906.48	1940.89	+0.68	1.80	0.04	-13
France	6.45863	6.57778	-0.0082	1.84	0.00	-15
NON ERM MEMBERS						
Greece	295.269	305.807	-0.477	3.57	-1.66	-
UK	0.793103	0.718819	+0.005669	-9.37	12.37	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Mar	CALLS Apr	CALLS May	PUTS Mar	PUTS Apr	PUTS May
1.590	1.73	2.51	3.25	0.09	0.92	1.77
1.600	0.93	1.82	2.69	0.20	1.30	2.20
1.610	0.37	1.37	2.24	0.69	1.80	2.66

Previous day's vol., Calls 1,386 Puts 559. Prev. day's open int., Calls 36,830 Puts 61,658

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

Strike Price	CALLS Mar	CALLS Apr	CALLS May	PUTS Mar	PUTS Apr	PUTS May
0.580	0.74	1.12	1.47	0.07	0.32	0.54
0.585	0.14	0.52	1.17	0.40	0.74	0.75
0.590	0.01	0.37	0.91	0.79	1.09	0.95

Previous day's vol., Calls 861 Puts 171. Prev. day's open int., Calls 35,768 Puts 33,125

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.42	94.42	+1.21	94.42	94.42	44,060	339,421
Jun	94.21	94.19	-0.09	94.19	94.17	98,297	432,796
Sep	94.01	93.97	-	93.99	93.96	129,804	327,485

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.91	94.91	-	94.91	94.91	790	2,586
Jun	94.73	94.74	-0.02	94.74	94.73	34	4,807
Sep	94.53	94.53	-0.03	94.53	94.53	114	2,134

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	CALLS Apr	CALLS May	CALLS Jun	PUTS Mar	PUTS Apr	PUTS May	PUTS Jun
9650	0.23	0.23	0.24	0.26	0	0	0.01	0.03
9675	0.01	0.03	0.05	0.07	0.03	0.05	0.07	0.09
9700	0	0	0.01	0.01	0.27	0.27	0.28	0.28

Est. vol. total, Calls 18410 Puts 1420. Previous day's open int., Calls 542518 Puts 321438

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9825	0	0.06	0.13	0.18	0.22	0.30
9850	0	0.01	0.05	0.43	0.40	0.47

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 5715 Puts 3970

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	@Singer & Friedlander	6.00
@Henry Ansbacher	6.00	Financial & Gen Bank	7.00	@Smith & Williamson Secs	6.00
Bank of Baroda	6.00	@Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	@Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	@Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	@Hill Samuel	6.0	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
@Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00		
Clydesdale Bank	6.00	@Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		@Rea Brothers	6.00		

@ Members of London Investment Banking Association
* In administration

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BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

[illegible]

Murray Johnstone (Dublin) Ltd

Odey Asset Management Ltd

Baring Mutual (Ireland) Ltd

Berkshire KTC Growth Fund Plc

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	♣	445	-½	565	407½	4,623	6.5	13.4
[illegible]	[illegible]	626	—	626	477	390.5	2.7	18.6
[illegible]	[illegible]	[illegible]	—	131	63½	41.8	6.0	74.8
[illegible] A	[illegible]	1005	—	1020	615	198.7	1.5	27.3
B	[illegible]	1125	—	1140	[illegible]	[illegible]	0.7	61.2
Grand Met	[illegible]	[illegible]	+1½	486	411	10,228	4.1	15.7
Guinness	[illegible]	479½	+1½	491	424	8,991	4.0	14.6
Highland	[illegible]	[illegible]	+1½	[illegible]	320	[illegible]	2.8	17.9
5½pc Cnv Bds		[illegible]		[illegible]	[illegible]	—	—	—
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	5,201	1.2	19.5
Matthew Clark	[illegible]	[illegible]		[illegible]	[illegible]	284.1	9.3	15.3
Merrydown	[illegible]	104½	-1½	141	91½	11.4	5.5	14.1
Seagram C$		[illegible]	-½	[illegible]	[illegible]	8,088	1.7	—

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INSURANCE - Cont.

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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OTHER OFFSHORE FUNDS

[illegible]

[illegible]

LONDON STOCK EXCHANGE

Market takes a breather after recent surge

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

A hangover from the programme trade executed late on Tuesday and Wall Street's rather stodgy showing brought a halt to the London market's run of six consecutive gains.

Not every FTSE index lost ground on the session, however. The SmallCap, which outpaced its senior brethren during February in terms of total return, moved ahead smoothly to yet more intra-day and closing highs, finishing a net 8.3 up at 2,374.2, after a record of 2,375.2.

The FTSE 100 index, on the other hand, spent a much quieter session than of late, eventually settling 21.8 off at 4,422.3, while the FTSE 250 struggled manfully but never managed to claw its way into positive ground. It closed down 4.3 at 4,725.1.

Helping to depress sentiment in London yesterday was a handful of rather disappointing company news items from FTSE 100 stocks such as Schroders, Reed International and Rentokil.

There was no shortage of excitement in the dealing rooms, with a big placing of BSkyB shares catching the eye during early exchanges and news of another share buy-back, this time in Iceland, the frozen food group.

Dealers said there had been no sizeable downside pressure from the big institutions, just a steady stream of selling from small institutions and private investors.

"The big funds have held off to see how the market will develop in the wake of the slightly worrying tail off of demand on Wall Street," one dealer said.

Others said Wall Street had begun to run out of steam and that global markets would respond accordingly.

The day's economic news, which showed industrial production unchanged and manufacturing output up 0.3 per cent during January, was as expected and had very little impact on sentiment. Gilts fell away throughout the day, closing down 9 to 15 ticks at the longer end.

The day began on a subdued note, with marketmakers taking avoiding action in the wake of the programme trade activity and because of Wall Street's quiet performance, and nudging share prices lower.

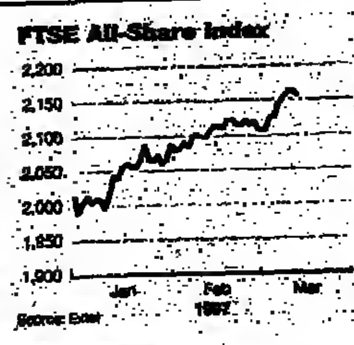
With the programme overspill largely cleared in the morning, the market began to rally before sliding afresh on hints that Wall Street would open lower. The Dow did fall in early trading but was never under any real pressure during London trading hours.

The day's corporate results were mostly badly received. Rentokil shares slid almost 10 per cent amid worries about a slowdown in organic growth, while concern that its new equities business might soak up cash saw Schroders' shares on the back foot. Worries about sterling's sharp rise proved a drag on Reed International.

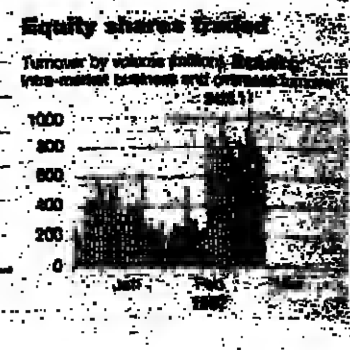
Elsewhere, the bought deal in BSkyB shares engineered by BZW, which saw the securities house place 1.1 per cent of the satellite group at a tight discount to the market price, netted the risk-taker in excess of £800,000.

Turnover at 6pm was 929m shares.

FTSE All-Share Index



Equity shares traded



Indices and ratios

FTSE 100	4422.5	-21.8	FT 30	2922.8	-5.1
FTSE 250	4725.1	-4.3	FTSE Non-Fins p/e	18.78	18.85
FTSE 350	2185.4	-8.9	FTSE100 Fut Mar	4406.0	-26.0
FTSE All-Share	2156.05	-7.89	10 yr Gilt yield	7.34	7.30
FTSE All-Share yield	3.52	3.50	Long gilt/equity yld ratio	2.09	2.08

Best performing sectors

1 Tobacco +1.3
2 Gas Distribution +0.9
3 Oil Exploration +0.7
4 Retailers: Food +0.6
5 Food Producers +0.5

Worst performing sectors

1 Diversified Industrials -1.3
2 Engineering: Vehicles -1.0
3 Pharmaceuticals -0.9
4 Telecommunications -0.8
5 Banks: Retail -0.7

Growth fear at Rentokil

By Peter John and Lisa Wood

Rentokil, the business services company that has been one of the nineties' wonder stocks, caught a distinct chill.

The shares were already off their 489p closing peak achieved on February 12. And, yesterday, they fell 6 per cent more to close a net 42½ off at 415½p, the biggest drop in the Footsie. Turnover of 25m shares was one of the heaviest on record.

Profits were up 48.2 per cent but they were still at the bottom end of forecasts and the feeling was that the improvement merely reflected last year's acquisition of BET. There was even a suspicion that the company might have gone ex-organic growth and would have to rely on acquisitions.

Additionally, the shadow of sterling hung over the figures. Rentokil said the rise of the pound at the end of 1996 had reduced last year's sales by £15.4m and profits by £3.2m. It added that 1997 profits would be reduced by around 5 per cent if sterling continued at current levels.

A similar story emerged at Reed Elsevier, which said headline earnings could be depressed by 5 per cent if sterling's strength continued throughout the year.

Reed noted, however, that although sterling would hit earnings per share of Reed International, it would have a correspondingly favourable effect on the guilder earnings per share of Elsevier. The shares fell 17 to 1,156½p.

The market was taken by surprise by Iceland announcing results earlier than expected and unveiling a share buy-back of 35 per cent of its ordinary shares at the equivalent of 105p per share and 37.5 per cent of its convertible preference shares at 98p per share. Iceland hardened 12 to 99¼p with one analyst suggesting the price rise provided a good selling opportunity.

Analysts said that interest in the buy-back masked results which were lower than expected. One analyst said the buy-back increased the risk profile of the food retailer. He said: "It raises the gearing and brings the interest cover down. Iceland is a cash generative business but that depends on maintaining operating margins at current levels." Another analyst said that the financial re-engineering "made no difference to deeply gloomy prospects for sales growth and operating margins" for a frozen food business in a difficult market niche.

The retailer's plans for home shopping were not greeted with any enthusiasm. Another analyst described the economics of the business as "pie in the sky". Most forecasts were reduced.

J. Sainsbury bounced 5 to 315p and Asda strengthened 1¼ to 111¼p.

BSkyB, the satellite television group, was actively traded as BSB, the holding company 94 per cent owned by Granada, Pearson and Pathe-Cinema, sold 1.1 per cent or 19.6m shares.

The proceeds will be used to permit a proposed restructuring of BSB's share and loan capital to enable shareholders other than Granada, Pearson and Pathe to sell their BSB holding. The plan is that Granada, Pearson and Pathe will own 100 per cent of BSB, which has no plans to sell any further BSkyB shares.

It appeared that the shares were sold by BSB at 623½p to the broker, which sold 15.5m on at 628p, allowing a 4¼p turn and leaving some shares on the books. BSB now owns 230.6m BSkyB shares – around 12.8 per cent.

The underlying shares fell a penny to 632p on turnover of 37m.

Midland Independent News, the newspaper group which has been buoyed by takeover talk, rose 5 to 155p after announcing a 4.7 per cent profit rise to £16.6m in 1996, in spite of a £3.3m rise in newsprint costs. The company said prospects for 1997 had been boosted by a stronger portfolio of titles and a fall in newsprint prices.

Argos weakened 5 to 664p, with fears that it would fall out of the FTSE 100 confirmed after the market closed. N Brown, perceived as a front runner to buy Freemans, the mail order business, slipped 7 to 381½p. Dixons eased 9 to 514½p.

Pharmaceuticals stocks suffered after US selling. Zeneca had been up earlier but a recommendation from Lehman Brothers was not enough to counter the US influences and the shares closed 23 lower at 1,837½p. Lehman gave Zeneca an "outperform" rating and a price target of £20.

Glaxo Wellcome came in for profit-taking following a sparkling post-results run over the past few days. The shares fell 14½ to 1,139½p.

Meanwhile, Scotia Holdings fell a further 30 to 405p as the shares continued to react to news of the company's failure to win approval for its diabetes treatment.

Cadbury Schweppes was one of the best performers in the FTSE 100, climbing 14½ to 555p. Analysts said there was buying from the US where the management of the confectionery and soft drinks group is currently making a week-long series of presentations to institutions.

There was some profit-taking in Reckitt & Colman, which slipped 8½ to 789p. Market speculation that Unilever might make a bid for Reckitt has largely evaporated. There was also profit-taking in United Biscuits ahead of its results. The shares fell 4½ to 237½p.

RMC was one of the worst performers in the FTSE 100, falling 29½ to 939p after a bout of profit-taking in the building materials group.

BAT Industries, the tobacco and insurance group, gained 7 to 564½p. Merrill Lynch has stressed its "buy" stance arguing that the recent figures were not as disappointing as the market reaction suggested.

Shortly before the close, a number of big trades showed up boosting overall volume to 37m. The late activity was believed to be either options-related or tax-related.

Investment bank Schroders dropped 45 to 1,692½p on rising cost worries and a cautious outlook from the company with annual results at the top of analysts' expectations. Schroders reported annual profits of £238.7m compared with £197.3m a year ago and analysts' forecasts of between £230m and £240m. A 20p dividend topped expectations of 18.5-19p.

BP came off the day's lows following a trading update described by one analyst as "a very confident and powerful presentation". SGST reiterated its positive stance but international pressures prevailed and the stock ended a net 8 lower at 702½p.

A number of analysts were said to have upgraded their 1997 profit estimates for TI Group after results at the top end of the City's estimates and a positive trading outlook for the engineering company. TI hardened 12 to 576p.

FT 30 INDEX

	Mar 12	Mar 11	Mar 10	Mar 7	Mar 6	Yr ago	High	Low
FT 30	2922.8	2927.9	2931.4	2920.3	2911.5	2736.5	2931.4	[illegible]
Ord. div. yield	3.85	3.84	3.85	3.87	3.88	3.95	4.22	3.76
P/E ratio net	18.04	18.09	18.07	17.97	17.88	18.50	18.09	15.80
P/E ratio nil	17.62	17.67	17.64	17.75	17.66	18.16	17.87	15.71

FT 30 hourly changes [illegible]

London market data [illegible]

Mar 12 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

[illegible]

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996/97 High	Low	Stock
§100	F.P.	3.16	111½	103½	†Anglo-Welsh
§125	F.P.	21.1	148½	121½	†Aortech
§50	F.P.	28.8	64	52½	†Birmingham City
§	F.P.	8.97	180	128½	†C&B Publishing
§	F.P.	1.60	1½	½	†Do Warrants
-	F.P.	-	17½	13½	†Cambridge Mineral
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT GOLD MINES INDEX

Africa (14)	[illegible]							
Australasia (8)	2075.58	+0.5	2064.25	2598.30	2.42	22.25	2844.14	1941.72
North America (12)	1702.28	+1.5	1678.95	1871.80	0.54	63.46	2134.81	1550.58

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Mar 12	Day's chge%	Mar 11	Mar 10	Mar 7	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4422.5	-0.5	4444.3	4437.4	4420.3	3640.3	3.64	2.10	16.33	21.90	1859.58
FTSE 250	4725.1	-0.1	4729.4	4729.2	4713.8	4229.8	3.34	1.47	25.45	14.59	1942.91
FTSE 250 ex IT	4766.9	-0.1	4771.8	4773.8	4758.9	4261.7	3.42	1.48	24.45	14.54	1964.75
FTSE 350	2185.4	-0.4	2194.3	2161.6	2183.4	1831.3	3.58	1.98	17.87	9.86	1876.56
FTSE 350 Higher Yield	2112.2	-0.3	2117.6	2112.4	2104.4	1794.9	4.66	1.66	14.46	8.23	1529.31
FTSE 350 Lower Yield	2265.1	-0.5	2277.8	2277.8	2269.5	1875.0	2.49	2.21	22.74	11.83	1598.66
FTSE SmallCap	2374.20	+0.1	2370.86	2366.14	2362.68	2058.33	2.89	1.67	25.94	8.61	1991.02
FTSE SmallCap ex IT	2380.44	+0.2	2376.57	2373.93	2371.25	2046.82	3.05	1.75	23.47	8.80	2011.01
FTSE All-Share	2156.05	-0.4	2163.94	2161.13	2153.44	1811.24	3.52	1.96	16.12	9.67	1879.40

FTSE Actuaries Industry Sectors

	Mar 12	Day's chge%	Mar 11	Mar 10	Mar 7	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4115.83	-0.4	4130.67	4159.55	4132.58	3264.94	3.64	2.10	16.33	15.36	1811.01
12 Extractive Industries(5)	4157.20	-0.2	4167.06	4098.31	4085.64	4147.32	3.90	2.33	13.76	0.00	1239.05
15 Oil, Integrated(3)	4226.03	-0.5	4247.22	4287.03	4256.51	3305.96	3.85	2.08	15.61	20.17	1912.60
16 Oil Exploration & Prod(12)	3556.29	+0.7	3532.09	3592.04	3561.94	2248.94	1.54	1.88	43.26	0.00	2156.09
20 GEN INDUSTRIALS(272)	2063.75	-0.4	2071.14	2066.38	2052.08	2064.89	3.83	1.90	17.19	5.65	1157.94
21 Building & Construction(35)	1371.16	----	1370.54	1369.74	1370.04	1132.10	3.00	1.76	23.43	7.89	1172.48
22 Building Matls & Merchs(32)	1917.04	-0.7	1930.99	1931.30	1926.15	1887.80	4.16	2.54	11.84	1.00	991.26
23 Chemicals(26)	2378.66	-0.2	2383.88	2377.49	2359.58	2558.76	4.40	1.66	18.26	24.63	1166.94
24 Diversified Industrials(16)	1579.24	-1.3	1586.75	1594.72	1566.07	1773.17	4.55	1.80	15.23	4.02	914.19
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hourly movements

[illegible]

FTSE 350 Industry baskets

[illegible]

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FTSE International Limited 1997. All Rights reserved. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

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هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£24½	—	*£31¼	£20¼	1,985	3.2	⊕
Barlow		£7½xd	+¼	991½	£5⅝	1,449	2.1	14.3
Gold Flds Prop R	†	141¼	+¼	171½	120	14.4	6.6	10.2
Nh. Props.		65	—	92	60	2.61	14.0	-
SASOL	♥	645	—	710	523	3,777	1.7	-
SA Brews		£19½	+¼	£24¾	£13¾	5,744	1.8	⊕
Standard Bank		£28¼	+¼	£31¼	£21	3,180	1.4	22.8
Tiger Oats		1062	+12	1150	770	1,027	1.7	20.6
Tongaat-Hulett		778¼	+4¼	1125	676¼	735.4	2.4	⊕

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⊕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. F Yield based on prospectus or other official estimates for 1996-97. FD (Foreign Income Dividend). & Forecast annualised yield, p/e based on ... i Indicated dividend yield, p/e ratio based on latest annual earnings. L Estimated annualised yield, p/e based on latest annual earnings. n Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. M Yield based on prospectus or other official estimates for 1995-96. z Dividend yield includes a special payment. X Dividend is paid in whole or part as a ...

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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4 pm close March 12

NEW YORK STOCK EXCHANGE PRICES

1996/97 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
32	24¼	AAR	0.48	1.9	21	921	25⅞	25½	25½	-⅛
46⅛	33	AMP	1.64	2.7	20	3972	39¼	38⅜	38⅞	+½
97½	25	AMR			0	4422	85⅞	84¼	83	+¼
50½	33¼	ASA	1.20	3.3	24	258	36½	36¼	30⅜	-¼
60⅛	38⅛	AMBL	1.08	1.9	24	6300	59⅜	58½	58¼	
17⅛	12¾	[illegible] Pr x	0.40	2.4	0	1139	16⅜	16¼	16⅛	
20¼	13½	ABM Ind	0.40	2.2	10	65	18¼	10	18⅛	
23	13⅞	Acpincair			10	596	22¼	20⅜	20⅜	-2½
66⅜	67¾	ACE Ltd	0.72	1.1	11	735	66⅜	65⅜	65⅜	-⅞
10¼	9⅛	ACM Gvt In x	0.90	0.6	11	253	16⅛	10½	10½	-⅛
7⅞	6⅝	ACM OrOpp x	0.63	6.6		66	7⅜	7⅛	7⅜	
9⅞	6⅛	ACM Man x	0.90	9.2		639	9⅞	9⅝	9¾	+⅛
13⅞	6⅛	Acme Elect				28	8¾	6⅞	8⅝	-⅛
21⅝	13⅞	Acme Mkts			11	33	16¾	16½	16½	-¼
33¾	27¼	Acordia	0.80	2.5	15	21	32½	32⅜	33½	-⅛
29⅞	12	Acuson				1832	29¼	28⅝	28⅝	-¼
21⅛	17⅞	Adams Expr	0.55	2.7	1	350	21	20¾	20¾	-¼
42¼	10¼	Adaptec				60719	47¾	43⅝	45⅜	+3⅝
15	8½	Advest Grp			10	278	14⅝	14⅜	14⅜	
28⅛	9⅛	Advo Inc			29	32	12⅞	12¾	12⅞	
70½	41½	Aegon	1.10	1.7	20	118	70	69¾	69⅞	-¼
9¾	3½	Aeroflex				112	4¼	4	4⅜	+⅛
67⅝	40⅜	AES Corp				30	63¾	63¼	63¼	+⅞
93⅛	57⅝	Aetna	0.60	0.9	69	5767	93⅜	92	92⅞	+½
44	28¼	Aflac	0.40	1.0	15	1478	41⅞	40⅞	41⅛	-⅛
22	17¾	AGL Res	1.08	5.4	14	442	20	19½	19⅞	+⅛
[illegible]										

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- S -

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Continued on next page

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

INDICES

	Mar 12	Mar 11	Mar 10	1996/97 High		1996/97 Low	
Argentina							
General(29/12/77)	(c)	20892.16	21129.57	21551.36	24/2/97	15297.29	22/8/96
Australia							
All Ordinaries(1/1/80)	2254.4	2468.3	2461.9	2581.70	18/2/97	2085.19	17/7/96
All Mining(1/1/80)	974.4	975.7	972.6	1118.40	8/5/96	993.90	13/12/96
Austria							
Credit Aktien(30/12/84)	414.42	416.23	412.16	418.23	11/3/97	348.19	6/6/96
Traded Index(2/1/91)	1249.92	1256.43	1245.96	1258.43	11/3/97	975.27	2/1/96
Belgium							
BEL20(1/1/91)	2210.81	2220.77	2205.20	2220.77	11/3/97	1574.90	2/1/96
Brazil							
Bovespa(29/12/83)	(c)	9566.0	9419.0	9665.00	11/3/97	4388.10	3/1/96
Canada							
Metals Minls(1975)	(c)	5891.40	5881.75	5881.75	10/3/97	4087.47	16/1/96
Composite(1975)	(c)	6305.50	6332.90	6332.90	10/3/97	4730.70	15/1/96
Portfolio§§(4/1/83)	(c)	3188.71	3214.10	3214.10	10/3/97	2327.39	12/1/96
Chile							
IPA Gen(31/12/80)	(c)	5403.16	5383.22	5804.33	8/1/96	4969.77	18/12/96
Denmark							
CopenhagenSE(3/1/83)	554.27	555.49	546.70	555.49	11/3/97	368.40	2/1/96
Finland							
HEX General(28/12/90)	2976.10	3008.36	2976.19	3008.36	11/3/97	1861.87	10/1/96
France							
SBF 250(31/12/90)	1761.80	1807.15	1815.36	1815.36	10/3/97	1250.19	2/1/96
CAC 40(31/12/87)	2641.70	2686.15	2709.21	2709.21	10/3/97	1897.85	11/1/96
Germany							
FAZ Aktien(31/12/58)	1176.92	1192.09	1182.20	1192.09	11/3/97	818.86	2/1/96
Commerzbank(1/12/53)	3425.70	3462.00	3433.60	3462.00	11/3/97	2278.10	2/1/96
DAX‡(30/12/87)	3415.40	3460.58	3436.07	3460.58	11/3/97	2284.86	2/1/96
Greece							
Athens SE(31/12/80)	1257.0	1301.50	(c)	1403.80	26/2/97	872.95	7/8/96
Hong Kong							
Hang Seng(31/7/64)	13119.13	13252.20	13288.76	13868.28	20/1/97	10204.98	2/1/96
India							
BSE Sens.(1979)	3762.37	3725.87	3703.74	4069.26	18/6/96	2745.05	4/12/96
Indonesia							
Jakarta Comp.(10/8/82)	682.60	687.93	688.05	712.80	26/2/97	512.48	2/1/96
Ireland							
ISEQ Overall(4/1/88)	3055.51	3059.63	3036.98	3059.63	11/3/97	2234.91	2/1/96
Italy							
Banca Comm Ital(1972)	748.12	763.44	760.14	787.71	10/2/97	572.21	27/3/96
MIB General(2/1/97)	1124.0	1147.0	1141.0	1197.00	10/2/97	991.00	2/1/97
Japan							
Nikkei 225(16/5/49)	18183.27	18267.72	18113.89	22666.80	26/6/96	17303.70	10/1/97
Nikkei 300(1/10/82)	281.76	282.12	280.04	319.70	26/6/96	251.04	27/1/97
Topix(4/1/68)	1366.58	1369.05	1360.15	1722.13	26/6/96	1326.60	27/1/97
2nd Section(4/1/68)	1680.10	1686.92	1671.10	2251.48	2/7/96	1680.10	12/3/97
Malaysia							
KLSE Comp.(4/4/86)	1249.72	1250.33	1237.48	1271.57	25/2/97	993.18	2/1/96
Mexico							
IPC(Nov 1978)	(c)	3804.12	3844.80	3938.89	25/2/97	2738.36	8/3/96
Netherland							
CBS TtlRtnGen(End 83)	880.5	885.7	881.8	885.70	11/3/97	538.50	2/1/96
CBS All Shr(End 83)	510.3	519.8	517.4	519.80	11/3/97	325.70	2/1/96
New Zealand							
Cap. 40(1/7/86)	2265.50	2274.26	2280.07	2440.21	20/1/97	2025.14	7/8/96
Norway							
Oslo SE(ind)(2/1/83)	1878.54	1883.11	1866.25	1941.46	20/2/97	1259.86	30/1/96
Philippines							
Manila Comp(2/1/85)	3270.84	3280.99	3289.34	3447.80	3/2/97	2578.97	2/1/96
Portugal							
BVL 30(4/1/93)	2634.88	2643.18	2629.20	2643.18	11/3/97	1802.81	2/1/96
Singapore							
SES All-S'pore(2/4/75)	546.11	551.65	548.44	610.37	6/2/96	503.78	21/10/96
South Africa							
JSE Gold(28/9/78)	1447.5♥	1441.4	1404.3	2030.40	29/5/96	1338.00	3/2/97
JSE Ind.(28/9/78)	8388.8♥	8384.7	8327.0	8739.30	25/1/96	7588.90	17/12/96
South Korea							
KoreaCmpEx**(4/1/80)	653.90	655.95	667.35	986.84	7/5/96	611.05	7/1/97
Spain							
Madrid SE(30/12/85)	482.93	488.05	489.60	489.60	10/3/97	323.75	11/1/96
Sweden							
AffarsvardsGen(1/2/37)	2801.7	2832.4	2832.4	2832.40	10/3/97	1769.80	22/1/96
Switzerland							
Swiss Bk Ind(31/12/58)	2212.32	2218.70	2224.60	2224.60	10/3/97	1616.19	17/1/96
SBC General(1/4/87)	1554.52	1557.81	1557.39	1557.81	11/3/97	1114.47	26/1/96
Taiwan							
Weighted Pr.**(30/6/66)	8255.07	8246.64	8174.18	8255.07	12/3/97	4690.22	6/2/96
Thailand							
Bangkok SET(30/4/75)	720.27	719.85	708.32	1415.24	6/2/96	676.88	8/3/97
Turkey							
IMKB Nat 100(1986)	1457.0	1471.0	1461.0	1700.00	27/1/97	388.00	2/1/96
WORLD							
MS Capital Intl(1/1/70)	846.1*	851.5	851.1	864.40	25/2/97	725.58	15/1/96
CROSS-BORDER							
Eurotrack 100(26/10/90)	2204.47	2231.93	2219.55	2231.93	11/3/97	1604.40	11/1/96
Euro Top-100(26/6/90)	1959.55	1994.47	1893.09	1994.47	11/3/97	1333.01	11/1/96
HSBC JC Drgn(31/12/88)	(c)	418.73	417.67	428.86	20/1/97	344.19	2/1/96
ING Brngs Emrg(7/1/92)	179.11	178.98	177.56	181.33	28/2/97	147.36	2/1/96

* Sat Mar 8 : Taiwan Weighted Price 8182.44; Korea Comp Ex 675.07. Base values of all Indices are 100 except Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; IMKB Nat 100 – 1; NYSE All Common – 50; Standard & Poor's – 10 and Amex Comp – 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Mar 12 - 3382.40 –48.65 † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
Mar	2690.0	2656.5	–38.5	2692.0	2647.0	21,811	40,162
Apr	2692.0	2658.5	–38.5	2692.0	2662.0	107	1,375
DAX							
Mar	3435.0	3388.5	–41.5	3445.5	3378.5	29,487	–
Jun	3453.5	3407.0	–40.0	3464.0	3398.0	5,533	–
OMX							
Mar	2213.00	2191.00	–16.50	2229.00	2185.00	4,461	24,890
Apr	2189.00	2176.00	–39.25	2191.00	2172.00	472	2,805
SOFFEX							
Mar	4694.0	4672.0	–1.5	4718.0	4654.0	5,870	25,615
Apr	4682.0	4678.9	–17.0	4792.5	4678.0	556	4,051
S&P 500							
Mar	811.05	803.80	–1.50	811.25	806.90	83,835	139,115
Jun	818.20	817.80	–1.45	818.50	813.60	16,471	82,026
Nikkei 225							
Mar	18210.0	18130.0	–80.0	18310.0	17980.0	16,838	153,032
Jun	18190.0	18050.0	–130.0	18260.0	17940.0	24,455	216,168

Open interest figures for previous day.

US INDICES

Dow Jones	Mar 11	Mar 10	Mar 7	1996/97 High	1996/97 Low	Since compilation High	Since compilation Low
Industrials	7085.16	7079.39	7000.89	7085.16 (11/3/97)	5032.94 (10/1/96)	7085.16 (11/3/97)	41.22 (2/7/32)

■ RATIOS

	Mar 7	Feb 28	Feb 21	Year ago
Dow Jones Ind. Div. Yield	1.83	1.86	1.94	2.18
	Mar 5	Feb 26	Feb 19	Year ago
S & P Ind. Div. yield	1.77	1.73	1.72	1.87
S & P Ind. P/E ratio	22.55	22.89	22.84	21.05

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Nike B	5,164,700	59⅛	
Office Dpt	7,020,500	19⅛	
AT&T	5,933,100	35⅜	
PepsiCo	4,994,100	33⅞	
Micron	4,380,400	42⅛	
WalMart	3,889,500	27⅝	
Adv Micro	3,491,900	41⅛	
IBM	3,362,800	146	
Natl Semi	3,229,400	29⅛	
Monsanto	3,200,600	39⅞	

■ TRADING ACTIVITY

● Volume (million)	Mar 11	Mar 10	Mar 7
New York SE	481,220	488,747	454,317
Amex	18,897	15,273	18,739
NASDAQ	584,241	573,120	548,415
NYSE			
Issues Traded	3,254	3,331	3,338
Rises	1,298	1,647	1,837
Falls	1,183	983	878
Unchanged	771	821	823
New Highs	229	216	218
New Lows	19	19	20

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, March 12, 1997

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fuji Heavy Ind	13.1m	814	+14	Sakura Bank	4.9m	744	-20
Nomura Sec	6.6m	1400	-10	Hachijuni Bank	4.4m	1020	+10
NKK	6.0m	280	-1	Towa Bank	4.2m	635	-1
Mitsubishi Hvy	5.3m	803	-2	Tokyo Gas	3.8m	292	-1
Hitachi	5.1m	1080	+30	Matsushita E Ind	3.6m	1850	+40

FINANCIAL TIMES Thursday March 13 1997

Dow trades quietly ahead of Fed report

AMERICAS

US shares were flat at midsession as investors awaited for guidance on interest rate policy from the afternoon release of the Federal Reserve's Beige Book, *writes Lisa Bransten in New York.*

At 1pm, the Dow Jones Industrial Average was off 6.54 at 7,078.62. The Standard & Poor's 500 shed 2.68 at 808.66. NYSE volume was 259m shares.

Technology shares were mixed with the Nasdaq composite off 4.48 at 1,312.28, while the Pacific Stock Exchange technology index edged up 0.1 per cent.

Overhanging the market was the mid-afternoon release of the Beige Book, a report on the state of the economy prepared in advance of meetings of the Fed's Open Market Committee. Economists remained divided about whether the FOMC would raise rates at its March 25 meeting.

Among individual shares, General Mills slipped $1½ or 2 per cent to $63¼ after reporting third quarter earnings of 78 cents per shares, in line with expectations. Toys R Us shed $⅝ at $28¼ on fourth quarter operating income of $1.38 per share, 4 cents below estimates.

Shares in General Signal fell $2⅝ or 6 per cent to $41 after the company warned that it expected first quarter earnings to be about 7 per cent below results for the same period last year.

Merger activity drove the prices of several companies. Marsh & McLellan rose $7 or 6 per cent to $129 on news that it had agreed to acquire Johnson & Higgins, a privately held insurer, in a deal valued at about $1.8bn.

Sylvan Learning Systems shed $3⅞ or 11 per cent at $31¼ on news that it had agreed to acquire National Education for about $18⅛ per share. Sharas in National Education lost $¼ at $16⅝.

TORONTO picked up where it left off on Tuesday, sliding lower on the back of continued profit-taking in bank stocks. At the noon calculation, the 300 composite index was 33.96 lower at 6,271.50.

Royal Bank of Canada, off C$1.38 in the previous session, fell a further 85 cents to C$59.80.

Seagram added 10 cents to C$53.85 and Alcan Aluminium gained a similar amount to C$51.90. SNC-Lavalin gained 60 cents to C$18.35 following strong results.

CARACAS continued to slide lower on worries about CANTV, the state telephone group. At midsession the IBC index was down 160.64 or 2.6 per cent at 6,048.59.

CANTV has tumbled by more than 15 per cent since last week's shock announcement that the transport and telecommunications ministry had ruled against a second quarter tariff increase for the company.

Investor faith in the shares, the subject of a successful flotation late last year, has been severely shaken. Sentiment has also been hit by labour unrest, with workers due to strike from today.

SAO PAULO moved lower after rising steadily for four straight sessions. The Bovespa index was off 117 at 9,448 at midsession.

Budget statement lifts Jo'burg

Shares in Johannesburg closed higher after a quietly mixed session dominated by the budget statement. The all-share index was 6.1 higher at 7,168.1 at the close.

Brokers welcomed the budget's broad approach, notably the checks on government spending and easier exchange controls. "This is all for the long-term good," said one trader.

The industrial index eased 16.1 to 6,368.6 but golds, aided but another steady session for the bullion price, put on 6.1 to 1,447.5.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms March 07 1996	% Change over week	% Change on Dec '96	Local currency terms March 07 1996	% Change over week	% Change on Dec '96
Latin America	(249)	629.59	+0.8	+17.0			
Argentina	(30)	1,049.90	+1.5	+10.5	643,870.01	+1.5	+10.4
Brazil	(68)	501.04	+3.0	+26.4	1,972.98	+3.1	+28.1
Chile	(45)	720.31	+0.1	+18.1	1,196.02	+0.3	+13.4
Colombia	(14)	771.37	+1.9	+21.8	1,439.02	-0.3	+27.6
Mexico	(64)	586.08	-1.5	+10.7	2,025.96	-0.8	+12.7
Peru	(19)	280.01	+2.4	+16.9	368.53	+1.4	+18.0
Venezuela	(9)	703.15	-6.2	-3.4	7,726.02	-6.6	-3.1
Asia	(711)	268.37	-1.0	+17.0			
China	(27)	72.88	-1.8	-1.1	76.32	-1.8	-1.2
South Korea	(156)	75.26	-1.2	-2.6	86.02	-0.8	+0.2
Philippines	(42)	298.60	-1.0	+1.7	379.69	-1.1	+1.8
Taiwan, China	(90)	174.26	+3.0	+13.7	179.92	+2.9	+13.7
India	(79)	97.16	+6.7	+23.3	123.66	+6.6	+23.4
Indonesia	(48)	131.39	-3.2	+2.9	170.86	-3.3	+4.3
Malaysia	(148)	356.38	-1.8	+5.9	326.48	-1.8	+4.0
Pakistan	(26)	238.41	-5.9	+21.8	435.53	-5.9	+21.8
Sri Lanka	(5)	100.70	+0.2	+5.8	126.88	+0.7	+7.8
Thailand	(67)	160.85	-8.1	-18.3	166.40	-5.9	-17.2
Euro/Mid East	(305)	154.86	-2.5	+15.3			
Czech Rep	(7)	71.23	-5.8	+1.5	69.76	-4.8	+9.8
Egypt	(16)	112.12	+1.3	-	111.92	+1.3	-
Greece	(54)	307.81	-0.6	+27.0	562.16	+0.9	+28.8
Hungary	(12)	232.97	-3.3	+18.4	466.89	-1.9	+30.4
Jordan	(7)	191.79	-0.5	+2.7	296.22	-0.5	+2.6
Morocco	(5)	108.89	+0.4	-	112.80	+1.5	-
Poland	(30)	821.93	-2.2	+12.2	1,600.73	-1.1	+21.4
Portugal	(28)	159.14	-0.2	+8.9	168.52	+1.3	+20.9
Russia	(15)	114.15	-3.9	-	115.64	-3.7	-
Slovakia	(5)	111.93	-0.1	-	115.84	+1.1	-
South Africa	(63)	233.30	-0.6	+11.6	214.62	-1.1	+4.6
Turkey	(56)	200.91	-11.7	+35.1	11,811.66	-10.1	+55.0
Zimbabwe	(5)	608.21	-1.8	+27.4	990.95	-2.1	+31.3
Composite	(1265)	328.24	-0.7	+11.3			

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Mr Boris Yeltsin's cabinet clear-out is, without doubt, the main story of the week among emerging stock markets, writes Jeffrey Brown.

The Russian president's wholesale ministerial reshuffle is widely seen by brokers and analysts as a strong, bold move aimed at consolidating political and economic reform.

"We expected something along these lines but he (Yeltsin) has gone a stage further than most predictions," says Mr Vlad Sobell, a senior economist at Daiwa Securities.

Daiwa's latest research note on Russia appeared one day before the political changes were announced; the changes harden the message that Mr Sobell puts across – that Russia, by far the largest transition economy, is set to begin its recovery.

The non-state sector now generates more than two-thirds of gross domestic product and economic policy has been tightened successfully. The tax system remains a black spot, but Mr Sobell speculates that the political changes herald early reform here.

Local observers expect the stock market to respond positively to the Yeltsin dictums. Mr James Nail, head of research in Moscow for Deutsche Morgan Grenfell, feels that the Moscow Times dollar index could finish this year at around 320.

It stands close to 236 currently, having surged by more than 50 per cent this year after gains of 140 per cent in 1996.

Mr Nail says that squeezed local debt yields have prompted domestic institutions to shift funds across to equities, while foreign interest in Russia was clearly reflected by last November's heavily subscribed $1bn Eurobond.

Hoechst dives after HMR decision

EUROPE

Weakness in chemicals, and Hoechst in particular, led FRANKFURT down for the second day in succession, the Dax index closing 48.55 lower at an Ibis-indicated 3,353.90.

Hoechst, down 5 per cent on Tuesday after a fourth quarter loss and a lower than expected dividend, dropped another 8.1 per cent after a conference call with analysts, during which its chief executive, Mr Jürgen Dormann, said that it was no longer planning a separate listing for its pharmaceuticals unit, Hoechst Marion Russell.

Given that HMR's operating profit zoomed up by 217 per cent last year, and that an HMR spin off was predicated in the Hoechst restructuring *phantasie*, analysts were not amused. The shares closed DM6.06 lower at DM69.14; Ms Katharina Uhlenbrock at Deutsche Morgan Grenfell downgraded the stock from overweight to neutral and saw further share price weakness in prospect.

Turnover, ominously, hit a record high for a normal day's trading, climbing from DM17.4bn to DM30.2bn with Hoechst trading in DM3.8bn against DM892m on Thursday. Bayer and BASF dropped another 3.1 and 2.1 per cent respectively, and Daimler by DM3.60 or 2.7 per cent to DM127.80.

Dealers consoled themselves that Deutsche Telekom, at least, was still recovering from its post-flotation lethargy; the shares rose another 56 pfg or 1.6 per cent to a new closing high of DM35.39.

AMSTERDAM fell back as investors took profits after six straight sessions of record highs. Volume was modest with dealers citing no real weight of selling. The AEX index ended off 14.79 at 759.41.

Heineken took the heaviest knock, sliding Fl 20.80 or 6.2 per cent to Fl 317.2 after Grolsch turned in disappointing results. Heineken reports tomorrow and the weak dividend and downbeat statement from Grolsch, a rival brewer, clearly unsettled sentiment.

PolyGram, the music offshoot of Philips, fell Fl 5.70 or 5.8 per cent to Fl 91.90 while chemicals stocks wavered badly in sympathy with the fierce German selling that hit Hoechst. Akzo Nobel lost Fl 11.10 to Fl 276.70 and DSM Fl 7.30 to Fl 191.

Nedlloyd stood out against the downtrend, jumping Fl 1.20 to Fl 60 ahead of next week's results. Progress on the link with P & O, a higher dollar and lower fuel costs have sparked talk of an upbeat statement.

PARIS closed just above the day's low with the CAC 40 off 44.45 at 2,641.70. Rhône Poulenc showed the sharpest individual decline but banks supplied the wobbliest sector performance.

BNP fell FFr14.80 to FFr243, Suez FFr12.40 to FFr234.40 and Société Générale FFr24 to FFr674 on a combination of profit-taking and fading merger speculation. Rhône Poulenc, off FFr10.50 at FFr190.50, suffered from the chemicals fall-out in Germany.

Renault added FFr2.20 at FFr135.20 on bargain-hunting and after France's industry minister appeared to throw his weight behind the motor giant's decision to close its Belgian plant.

ZURICH saw the best of the day's activity in banks as SBC picked up SFr7 to SFr310 after it released 1996 results that were largely in line with expectations.

The upbeat mood spilled over into the recently sought CS Group, which jumped to a high of SFr176 before settling back to close SFr1.50 higher at SFr310. UBS gave up all of Tuesday's advance, closing SFr7 lower at SFr1,348.

The SMI index turned back from a high of 4,716.9 to close 0.9 easier at 4,676.2 in response to a weaker dollar and the easier opening on Wall Street.

MILAN was lower, taking its lead from abroad, and after a weak showing in telecoms as investors awaited details of the share swap ratio for Stet's merger with Telecom Italia, expected after tomorrow's board meetings. The Comit index fell 15.32 to 748.12.

HPI and Marzotto, soon to be merged, gave up some of their recent gains. HPI fell L10 to L245 while Marzotto lost L404 to L14,365.

Burgo, the paper group, benefited from brokers' recommendations to add L238 at L8,379.

MADRID's utilities lost [illegible] per cent, banks 1.3 per cent and the communications sector 1.2 per cent as the general index slid 5.12 to 482.98. But the pre-privatisation Repsol fell only Pta10 to Pta5,810, Merrill Lynch setting an 18-24 month price target of Pta6,950 for the oil major.

COPENHAGEN reacted badly to results, Novo Nordisk sliding DKr15 to DKr6[illegible] in spite of a solid 1996 performance and good prospects and Sophus Berendsen shedding DKr39 at DKr838 on disappointing figures from its 36 per cent owned UK associate, Rentokil. The KFX index fell 1.69 to 159.78.

ATHENS remained volatile and a 3.4 per cent tumble, as construction and bank shares remained under pressure, extended the market's losses over three sessions to 5.9 per cent. The general index lost 44.59 to 1,257.00.

ISTANBUL extended early losses to close 2.3 per cent lower as investors adopted a cautious stance ahead of today's cabinet meeting, which was expected to discuss measures to combat the contentious issue of rising Islamist activism. The IMKB National-100 index lost 34 to 1,437.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

Mar 12	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2215.89	2214.27	2214.68	2214.49	2213.67	2210.33	2206.05	2204.47
FTSE Eurotrack 200	2242.07	2239.10	2237.19	2236.71	2237.59	2235.04	2231.39	2230.25

	Mar 11	Mar 10	Mar 7	Mar 6	Mar 5
FTSE Eurotrack 100	2231.93	2219.55	2200.11	2196.85	2168.43
FTSE Eurotrack 200	2257.03	2243.24	2232.47	2233.60	2204.80

Base value 1000 (26/10/90). Highday: 100 - 2216.98; 200 - 2244.08 Lowday: 100 - 2204.08 200 - 2229.34 † Partial

Seoul recoups 1.2% as Nikkei slides

ASIA PACIFIC

Short-covering ahead of today's deadline for the settlement of March futures contracts enabled SEOUL to rebound 1.2 per cent after three consecutive days of falls. The composite index ended 7.95 higher at 663.90 in volume of 30m shares.

Heavily index-weighted, large-cap shares led the market's gains. Hyundai Motor jumped Won1,600 to Won24,500 and Korean Air rose Won700 to Won14,000.

Chip stocks also closed higher, boosted by hopes that global semiconductor prices were recovering.

TOKYO slipped back in sluggish trade, wary ahead of this Friday's special quotation settlement of futures contracts, but a slide towards 18,000 in the Nikkei average triggered late buying support, *writes Jonathan Annells.*

The 225 index dropped 84.45 to 18,183.27 after moving between 18,326.21 and 18,010.28. With an eye on the 31 March book-closing, domestic investors were quick to lock in profits after Tuesday's modest 154-point advance.

Early interest was generated by the news that Japan Telecom, a domestic long-distance telecommunications carrier, was negotiating a possible merger with International Telecom Japan, one of three international carriers, to become Japan's second largest telecommunications company.

The TSE suspended trade in Japan Telecom for the day, but other telecoms issues suffered from the prospect of a stronger competitor. NTT dropped Y18,000 to Y820,000, KDD Y160 to Y6,940 and DDI Y13,000 to Y727,000.

Volume increased slightly from 337m shares to an estimated 356m. Declines led advances by 621 to 416 with 189 unchanged. The Topix index of all first section stocks fell 2.47 at 1,366.58, and the capital-weighted Nikkei 300 by 0.36 to 261.76.

In London, the ISE/Nikkei 50 index gained 2.65 to 1,418.68.

Fuji Heavy Industries was the volume leader, gaining Y14 or 2.3 per cent to Y614 in 13.1m shares as the vehicle maker continued to extract mileage from the enthusiastic reception for its new Forester sports utility vehicle.

It was followed by Nomura Securities, which shed another Y10 to Y1,400 as clients continued to desert the brokerage and press reports predicted criminal action by Japan's regulators in the wake of the company's admission of dealings with sokaiya racketeers.

Ajinomoto, the food seasoning to pharmaceuticals group, which was also forced to admit to dealing with sokaiya on Tuesday, bounced back on the view that it was already oversold. It ended Y25 higher at Y965, after a low of Y925.

Active buying of blue chip exporters such as Sony and Toyota helped provided the late bounce, but a recent market-leader, Honda, dropped Y80 to Y3,680 on profit-taking.

In Osaka, the OSE average retreated by 75.59 to 19,048.58 in volume of 140.9m shares.

JAKARTA rallied towards the close to end with the composite index off 5.33 or 0.8 per cent at 682.61. Volume was modest at 180m shares. There was good demand for Indofood which added Rp175 to Rp5,775 in 4.2m shares traded.

SYDNEY closed lower on declines in BHP and banks in featureless trading. The All Ordinaries index ended off 13.9 at 2,454.4.

Retailers suffered a sell-off following steeply lower six months' results from David Jones. Coles Myer fell 13 cents to A$5.91 and David Jones 3 cents to A$1.71.

BANGKOK, up more than 6 per cent in three sessions, traded relatively quietly to end with the SET index up 0.32 at 720.27. Banks continued to recover on hopes for state support for the hard-pressed property sector.

HONG KONG dropped [illegible] per cent as investors took profits in the property shares on concerns about the outlook for the sector. The Hang Seng index tumbled 133.07 to 13,119.13 in turnover that eased to HK$11.9bn.

Red chips, however, continued to find demand. Shenzhen Expressway soared to a morning high of HK$3.375 as the issue made its debut, but subsequently settled back to close at HK$2.775, still at a sharp premium to the initial public offering price of HK$2.20.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY MARCH 11 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY MARCH 10 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	225.77	0.9	208.53	173.90	200.18	189.47	0.3	4.01	223.81	207.15	172.14	198.16	188.92	225.77	188.44	192.39
Austria (24)	187.73	0.8	173.40	144.60	166.46	166.39	0.9	1.75	186.28	172.42	143.28	164.95	164.89	195.04	174.70	180.64
Belgium (26)	241.54	0.8	223.10	186.05	214.18	209.81	0.8	3.26	240.05	222.18	184.68	212.55	207.98	241.64	203.84	210.35
Brazil (28)	247.23	0.9	228.36	190.43	219.21	479.43	1.0	1.18	245.07	226.83	188.50	217.00	474.87	247.23	148.46	148.74
Canada (114)	202.89	-0.2	187.40	156.28	179.90	200.73	-0.5	1.84	203.31	188.17	156.37	180.02	201.82	208.31	154.12	154.81
Denmark (32)	376.98	1.7	348.20	290.37	334.26	333.45	1.9	1.33	370.75	343.18	285.18	328.29	327.53	376.98	291.30	291.72
Finland (26)	268.58	1.0	248.07	206.87	238.14	267.02	1.2	1.92	266.02	246.22	204.61	235.56	263.70	268.58	174.47	180.58
France (91)	223.98	-0.8	206.88	172.53	198.60	202.02	-0.7	2.55	225.82	209.01	173.69	199.95	203.48	225.82	183.87	184.46
Germany (59)	205.33	0.6	189.65	158.15	182.06	182.06	0.8	1.42	204.07	188.88	156.96	180.69	180.69	205.33	164.47	167.23
Hong Kong (59)	482.29	-0.2	445.46	371.49	427.63	479.44	-0.2	3.21	483.40	447.42	371.81	428.03	480.54	514.49	402.53	406.49
Indonesia (27)	241.25	-0.2	222.83	185.83	213.91	354.48	-0.2	1.50	241.67	223.68	185.88	213.99	355.22	-	-	-
Ireland (16)	336.73	1.2	311.02	259.37	298.57	304.09	1.0	3.09	332.83	308.06	256.00	294.71	301.13	343.35	255.16	256.08
Italy (59)	86.50	-0.9	79.89	66.62	76.69	109.66	-0.7	2.03	87.30	80.81	67.15	77.30	110.40	98.32	70.61	73.76
Japan (480)	114.70	0.6	105.94	88.35	101.70	88.35	0.8	0.89	114.01	105.52	87.69	100.95	87.69	164.66	109.16	145.87
Malaysia (107)	643.44	1.2	594.32	495.62	570.52	612.96	1.1	1.05	635.54	588.24	488.83	562.76	606.54	680.85	512.47	525.26
Mexico (27)	1347.42	-1.6	1244.54	1037.86	1194.71	11764.19	-1.3	1.11	1369.69	1267.75	1053.50	1212.82	11913.74	1445.86	1056.15	1058.15
Netherland (19)	357.18	0.3	329.91	275.12	318.70	312.99	0.5	2.44	355.98	329.49	273.80	315.21	311.51	357.18	274.35	274.35
New Zealand (14)	87.56	-0.1	80.87	67.44	77.64	66.12	-0.2	4.31	87.68	81.15	67.44	77.64	66.26	95.60	75.94	79.71
Norway (41)	313.41	0.6	289.48	241.41	277.89	289.94	0.5	2.11	311.47	288.29	239.57	275.79	288.64	321.28	235.81	235.31
Philippines (22)	200.27	-0.8	184.98	154.26	177.57	282.71	-0.8	0.86	201.79	186.78	155.21	178.68	284.79	-	-	-
Singapore (43)	419.19	0.4	387.16	322.88	371.68	276.68	0.4	1.00	417.56	386.51	321.19	369.76	275.66	449.15	371.28	416.91
South Africa (44)	365.69	1.2	337.77	281.68	324.24	354.12	1.2	2.37	361.24	334.35	277.85	319.88	350.01	380.34	301.48	375.42
Spain (35)	217.61	-0.5	201.00	167.62	192.95	238.63	-0.3	2.66	218.66	202.38	168.18	193.61	239.30	228.16	164.61	165.18
Sweden (48)	444.87	-0.8	410.90	342.66	394.45	502.79	-0.5	2.07	448.64	415.25	345.07	397.25	505.12	448.64	325.59	325.59
Switzerland (35)	256.29	-0.2	236.72	197.41	227.24	234.32	-0.1	1.28	256.88	237.76	197.58	227.45	234.47	256.88	229.36	236.66
Thailand (45)	81.34	4.5	75.13	62.66	72.12	81.92	4.6	3.96	77.82	72.02	59.85	68.90	78.33	187.79	73.98	173.23
United Kingdom (212)	285.30	0.3	263.51	219.75	252.96	263.51	0.1	3.71	284.39	263.23	218.74	251.82	263.23	285.30	224.39	226.74
USA (654)	329.64	-0.2	304.47	253.91	292.29	329.64	-0.2	1.82	330.48	305.87	254.18	292.82	330.48	331.54	254.78	261.48
Americas (823)	301.89	-0.2	278.84	232.53	267.68	254.06	-0.3	1.81	302.64	280.11	232.77	267.97	254.72	303.45	233.09	238.37
Europe (726)	248.97	0.1	229.96	181.77	220.75	231.90	0.1	2.63	248.79	230.27	191.36	220.29	231.67	248.97	201.86	201.74
Nordic (150)	385.69	0.0	356.24	297.06	341.96	375.66	0.2	1.84	385.85	357.13	296.78	341.68	374.66	385.85	282.52	282.52
Pacific Basin (873)	136.06	0.6	125.70	104.82	120.66	103.98	0.6	1.39	135.32	125.25	104.08	119.82	103.22	177.01	131.50	158.47
Euro-Pacific (1599)	183.13	0.3	169.14	141.05	162.37	152.18	0.3	2.10	182.61	169.01	140.45	161.69	151.68	191.51	176.40	176.40
North America (768)	321.97	-0.2	297.38	248.00	285.48	321.15	-0.3	1.82	322.77	298.75	248.26	285.80	321.99	323.89	248.65	254.89
Europe Ex. UK (514)	223.82	-0.1	206.73	172.40	198.46	209.80	0.1	2.02	223.97	207.30	172.27	198.32	209.81	223.97	183.36	183.36
Pacific Ex. Japan (393)	313.90	0.3	289.93	241.78	278.33	270.76	0.3	2.74	312.48	289.20	240.33	276.67	270.04	320.85	268.97	275.14
World Ex. US (1812)	187.11	0.3	172.82	144.12	165.90	158.51	0.3	2.07	186.60	172.71	143.53	165.23	158.04	193.47	177.71	177.71
World Ex. UK (2254)	227.54	0.0	210.17	175.27	201.75	202.10	0.0	1.76	227.56	210.63	175.03	201.50	202.04	228.59	199.58	201.39
World Ex. Japan (1986)	292.49	-0.1	270.16	225.29	259.34	282.80	-0.1	2.14	292.72	270.94	225.15	259.20	283.06	292.72	233.10	235.39
The World Index (2466)	232.48	0.0	214.73	179.07	206.13	207.67	0.0	1.95	232.43	215.13	178.77	205.81	207.60	233.38	202.32	203.66

Latest prices were unavailable for this edition.

NYSE PRICES

4 pm close March 12

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. § Dealings suspended.

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AMEX PRICES

4 pm close March 12

NASDAQ NATIONAL MARKET

4 pm close March 12

- K -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
K Swiss	0.08	103	5	11 7/8	11 7/8	11 7/8	
Kaman Cp	0.44	12	100	14	13 5/8	13 3/4	-1/16
Kelly Sv x	0.84	14	303	29 1/4	27 3/4	27 3/4	-1/4
Kimball	1.04	15	385	39 1/2	38	38 1/4	-1/4
KLA Instr		18	10215	40 5/8	39 5/8	40 1/8	+1/4
Koll A			351	1/16	1/32	1/32	
Komag♣		14	7947	30 1/8	29 1/4	29 1/4	
Kulicke S			1293	25	24 1/8	24 5/8	-1/4

- L -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Laborw	0.72	82	61	18 1/2	18 1/4	18 1/4	-1/8
Ladd Fum			18	15 1/4	15 1/4	15 1/4	-1/2
Lam Rsch		12	12788	38	35 1/2	38	+7/8
Lancaster x	0.72	16	154	46	45 1/4	45 1/4	-1/4
Lance ♣	0.96	22	168	18 3/8	18 3/8	18 3/16	+7/16

- R -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Rainbow		14	455	18 5/8	18	18 7/16	-1/16
RaSys			611	6 3/8	3 3/16	3 3/8	+1/8
Raymond x	0.25	13	1805	28 1/8	27 3/8	27 7/8	+1/8
RCSB Fin	0.60	12	2789	34	33 3/8	33 3/4	
Read-Rite			51009	32 5/8	29 1/8	30	+1
Recoton		18	1258	14 3/4	14	14 1/2	-1/8
RegFinCp x			1587	62	61 1/4	61 5/8	-1/8
Repligen			778	1 9/32	1 7/32	1 7/32	-1/32
Repub Ind			6718	35 5/8	35 1/8	35 1/4	-7/16
ResrchMed		23	427	23 7/8	23 1/2	23 1/2	-7/16
Rexsond			802	8 3/8	6 1/2	8 3/8	

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx♣		26	20808	46	43 7/16	45 1/4	+1 1/4
Xircom		29	4815	17 1/4	16	16 5/8	+1/16
Xoma Corp			3185	6 13/16	6 5/16	6 3/8	-3/8
Yellow			1973	19 3/4	18 1/8	16 1/2	
York Rsch		18	139	9 1/4	8 7/8	8 7/8	-1/8
ZionsUtah	1.76	18	86	128 5/8	127 1/2	127 1/2	-1 7/16

EASDAQ

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$8.125		300	8.25	8	Innogenetics	US$12.375		79729	12.625	10.5
Artwork Systems	US$10.875		17250	11.375	10.25	Mercer Intemtnl	US$9		6	11.375	6
Dr Solomon's ADS	US$24.875	+0.5	1000	29	22.75	PoTech	US$5.25	-0.125	2000	6.25	4.75
Esprit Telecom ADS	US$12.25		2200	12.5	12						

Prices for 12/3/97.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
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